

APPENDIX A

DATA SOURCES AND METHODOLOGY USED TO ESTIMATE THE NUMBER OF FSP PARTICIPANTS THAT LOSE ELIGIBILITY DUE TO PRWORA'S WORK REQUIREMENT

In this appendix, we describe the data and methodology used to estimate the number of FSP participants that lose eligibility under PRWORA's work requirement. In addition, we discuss some caveats associated with the estimates presented in this report.

A. DATA SOURCES

Under PRWORA's work requirement, an individual is ineligible to receive food stamps under two conditions: if he or she is an ABAWD (neither exempt from nor meeting the work requirement) *and* if he or she has reached PRWORA's time limit.¹ Thus, to determine whether an individual would lose FSP eligibility in a given month, we need to answer two questions. First, was the individual an ABAWD in that month? And if so, has the individual received food stamps as an ABAWD for 3 months during the preceding 36 month period?

No single data source is ideal for answering both of these questions. The FSP's Integrated Quality Control System (IQCS) can be used to determine ABAWD status in a given month, but does not provide information on past behavior.² The longitudinal Survey of Income and Program Participation (SIPP) allows us to track behavior over time, but does not provide the detail needed to accurately identify ABAWDs.³

¹An individual who meets both of these criteria can receive FSP benefits only if he or she is covered by the 15 percent exemption.

²The IQCS is an ongoing review of food stamp household circumstances designed to determine, (1) whether households are eligible to participate and are receiving the correct benefit amount, and (2) whether household participation is correctly denied or terminated. The fiscal year 1996 IQCS contains detailed demographic, economic, and FSP eligibility information for a nationally representative sample of 50,883 FSP units, which contain 126,311 FSP participants.

³The 1990 SIPP longitudinal file is ideal for examining patterns of work and program participation over time, as it provides 26 months of data (January 1990 through February 1992) for each person who is part of the 1990 SIPP panel. Our analysis is based on the subset of SIPP persons who are in the SIPP universe in each month of the 1990 panel—about 80 percent of the full longitudinal file. After dropping people who are absent in one or more months, we calibrated the weights on the longitudinal
(continued...)

In light of these data deficiencies, we estimate the number of people that lose eligibility under the work requirement in two steps. First, we use IQCS data to estimate the number of FSP participants that are ABAWDs in an average month. Then, we use longitudinal SIPP data to estimate the percentage of ABAWD FSP participants that have reached the 3-month time limit.

B. USING IQCS DATA TO ESTIMATE THE NUMBER OF ABAWDs IN AN AVERAGE MONTH

To estimate the number of FSP participants that are ABAWDs in an average month, and to examine the characteristics of this population, we use the fiscal year 1996 Quality Control (QC) database, a nationally representative sample of food stamp households selected for review as part of the IQCS. We exclude from the QC database all permanent resident aliens who are disqualified from the FSP by PRWORA.⁴ These aliens are excluded because we want to examine the characteristics of FSP participants who are disqualified *solely because of the work requirement*.

Table A.1 shows how we use information in the QC database to identify FSP participants who are ABAWDs (neither exempt from nor meeting the work requirement). The left column shows the language from PRWORA governing which people are exempt and which are meeting the work requirement; the right column shows how we model each exemption or criterion using QC data. Essentially, the ABAWD population consists of adults age 18 to 49 (inclusive) who are able-bodied,

³(...continued)

file so that the remaining sample is demographically representative of the U.S. population in January 1992. The analysis file contains a nationally representative sample of 52,758 persons, 18,787 of whom receive food stamps in January 1992.

⁴PRWORA disqualifies most, but not all permanent resident aliens from the FSP. Aliens with significant work history (40 or more quarters) and those who are veterans are exempt, as are their spouses and minor children. QC data do not allow us to determine which permanent resident aliens qualify for these exemptions, but SIPP data indicate that about 16.3 percent of permanent resident aliens are exempt. Therefore, we exclude 83.7 percent of permanent resident aliens (selected randomly) from the QC database before conducting our tabulations.

TABLE A.1

USING THE QC DATABASE TO IDENTIFY PEOPLE THAT ARE EXEMPT FROM OR MEETING PRWORA'S WORK REQUIREMENT

An Individual Is Exempt From The Work Requirement If The Individual Is:	How We Model This Exemption Using IQCS Data
(A) Under 18 or over 50 years of age	Exempt people under age 18 or over age 49 (i.e., exempt people the day after their 50th birthday).
(B) Medically certified as physically or mentally unfit for employment	Exempt all people who receive disability income (DIS=1) or who are exempt from FSP work registration because they are physically or mentally unfit (EMPRG=1).
(C) A parent or other member of a household with responsibility for a dependent child	Exempt all people in the food stamp unit if the unit contains at least one person under age 18.
(D) Exempt from FSP work registration for any of the following reasons: currently subject to and complying with a work registration requirement under title IV of the Social Security Act, as amended (42 U.S.C. 602) or the Federal-State unemployment compensation system	Exempt people who are exempt from FSP work registration because they, (1) are subject to and complying with work requirements under other programs (EMPRG=10), or (2) receive or have applied for unemployment compensation (EMPRG=9).
a parent or other member of a household with responsibility for the care of a dependent child under age six or of an incapacitated person	Exempt people who are exempt from FSP work registration because they are a relative or caretaker of a dependent child (EMPRG=5), or because they are needed in the home to care for an ill or incapacitated person (EMPRG=4).
a bona fide student enrolled at least half time in any recognized school, training program, or institution of higher education	Exempt people who are exempt from work registration because they meet the FSP's student eligibility requirements (EMPRG=6).
a regular participant in a drug addiction or alcoholic treatment and rehabilitation program	Exempt people who are exempt from FSP work registration because they participate in a drug addiction or alcohol treatment program (EMPRG=11).
employed a minimum of thirty hours per week or receiving weekly earnings which equal the minimum hourly rate multiplied by thirty hours	Exempt people who are exempt from FSP work registration because they are employed 30 or more hours per week or receive weekly earnings of at least 30 times the federal minimum wage (EMPRG=7).
a person between the ages of 16 and 18 who is not a head of a household or who is attending school, or enrolled in an employment training program, on at least a half-time basis	Do not exempt anybody under this provision. Assume that "age 16 to 18" is not inclusive of age 18, which means this provision only applies to people who are already exempt based on age.
(E) A pregnant woman	Exempt people who are exempt from FSP work registration because they are pregnant (EMPRG=2).
An Individual Meets The Work Requirement If He Or She Is:	How We Model This Exemption Using IQCS Data
(A) working 20 or more hours per week, averaged monthly	Exempt people who report working 20 or more hours per week (EMPST = 3,4,5) or who have average weekly earnings of at least 20 times the minimum wage ((WAGES+SLFEMP+OTHERN) >= \$368.33).
(B) participating in and complying with the requirements of a work program for 20 hours or more per week, as determined by the state agency;	Using QC data, we can not determine who meets the 20 hours work-program requirement. Do not exempt anybody under this provision.
(C) participating in and complying with the requirements of a program under section 20 (workfare) or a comparable program established by a state or political subdivision of a state	Exempt people who participate in CWEP or another work experience program (EMPRG=23).

childless, and not working. *Able-Bodied* is defined as not disabled,⁵ not physically or mentally unfit for employment, and not exempt from the FSP's work registration requirement for any of the following reasons:

- Pregnant
- Needed in the home to care for an ill or incapacitated person
- Relative or other caretaker of a dependent child
- Student meeting FSP eligibility requirements
- Employed at least 30 hours per week or receiving weekly earnings at least equal to the Federal minimum hourly wage times 30.
- Receiving or have applied for unemployment compensation
- Subject to/complying with work requirements under other programs
- Participating in a drug or alcohol rehabilitation program
- Participating in a Community Work Experience Program (CWEP) or other work experience program

Childless is defined as no persons under age 18 in the FSP unit. *Not Working* is defined as employed fewer than 20 hours per week and with total monthly earnings that do not exceed \$368.33.⁶

After using the criteria above to identify ABAWD FSP participants in the QC database, we tabulate the size of this population using sample weights that are designed to replicate the FSP caseload in each month of fiscal year 1996. In an average month of fiscal year 1996, there are 892 thousand ABAWD FSP participants.

⁵A person in the QC database is considered disabled if he or she is, (1) under age 65 and receiving SSI, or (2) between the ages of 18 and 61 and receiving Social Security, veterans benefits, or other government benefits as a result of a disability.

⁶\$368.33 is the federal minimum wage in fiscal year 1996 (\$4.25) times 20 hours per week times 4.33 weeks per month.

The ABAWD definition described above and in Table A.1 is more restrictive than the definition used to identify ABAWDs in the February 1997 report, *Characteristics of Childless Unemployed Adult and Legal Immigrant Food Stamp Participants: Fiscal Year 1995* (Stavrianos, Cody, and Lewis, 1997).⁷ As a result, the number of ABAWD FSP participants in this report (892 thousand) is substantially smaller than in the earlier report (1.3 million). A portion of this discrepancy can also be attributed to a decrease in the number of ABAWD FSP participants between fiscal years 1995 and 1996. Applying the new ABAWD definition to fiscal year 1995 QC data yields an estimated 969 thousand ABAWDs in that year.

C. USING LONGITUDINAL SIPP DATA TO ESTIMATE THE PERCENTAGE OF ABAWDs THAT HAVE REACHED PRWORA'S TIME LIMIT

Although QC data can be used to estimate the number of ABAWDs and to describe their demographic and economic characteristics, the database cannot be used to determine which participants eventually reach the time limit. SIPP, however, can be used for this purpose, as it provides 26 months of data (January 1990 through February 1992) for each person who is part of the 1990 SIPP panel.⁸ Thus, we rely on longitudinal SIPP data to determine the percentage of ABAWD

⁷The ABAWD definition used in the earlier report differed in three ways from the definition used in this report: (1) disability exemptions were only granted to people who received disability income, not to people who were physically or mentally unfit for work registration; (2) a person was not considered to be age-exempt until he or she reached age 51; and (3) permanent resident aliens were included in the analysis.

⁸Because the 1990 longitudinal SIPP file contains only 26 months of data for each person, it cannot be used to simulate the impact of the time limit at the end of the initial 36-month window. The 1992 and 1993 longitudinal SIPP files, when completed, will contain 34 months of data for each person in the corresponding panels.

FSP participants that lose eligibility. As with the QC database, we exclude from the longitudinal SIPP file all permanent resident aliens that are disqualified from the FSP by PRWORA.⁹

As explained above, an ABAWD FSP participant loses eligibility under the work requirement if, during the preceding 36-month period, the individual received food stamps for at least 3 months while he or she was an ABAWD. Thus, to determine which ABAWD FSP participants lose eligibility, we must determine the ABAWD status of FSP participants in each month of the longitudinal SIPP file.

People in the longitudinal SIPP file are identified as ABAWDs according to a definition that is largely analogous to the definition for identifying them in the QC. However, compared with QC data, SIPP data do not provide as much of the information needed to determine whether an individual is an ABAWD.¹⁰ Because several exemptions can not be modeled, some of the people identified as ABAWDs on SIPP may in fact be non-ABAWDs. We define an ABAWD on SIPP as any adult age 18 to 49 (inclusive) who is able-bodied, childless, and not working. *Able-Bodied* is defined as not disabled,¹¹ and not exempt from the FSP's work registration requirement for any of the following reasons:

⁹Although we are able to identify aliens in the SIPP data, we can not distinguish between permanent resident aliens and other aliens (mostly refugees) who are exempt from PRWORA. Based on QC tabulations, we estimate that 82.0 percent of aliens in SIPP are permanent resident aliens. We further estimate, based on SIPP tabulations, that about 16.3 percent of permanent resident aliens are exempt. Therefore, we randomly select 68.6 percent ($82.0\% \times 83.7\%$) of all aliens and exclude them from the longitudinal SIPP file before conducting our tabulations.

¹⁰Specifically, SIPP data do not indicate whether a person is, (1) pregnant, (2) needed in the home to care for an ill or incapacitated person, (3) participating in a drug or alcohol rehabilitation program, (4) subject to and complying with a work registration requirement under another program, or (5) participating in CWEP or some other work experience program. All of these exemptions can be identified using QC data.

¹¹A person in the SIPP file is only considered to be disabled if he or she is, (1) under age 65 and receiving SSI, or (2) under age 62 and receiving Social Security as a result of a disability. This definition is more restrictive than the QC-based definition, which exempts people who receive disability income *or* are physically or mentally unfit for work registration. SIPP data do not indicate which persons are physically or mentally unfit for work registration.

- Student meeting FSP eligibility requirements¹²
- Receiving or have applied for unemployment compensation

Childless is defined as not the parent of a child under age 18.¹³ *Not Working* is defined as employed fewer than 20 hours per week and with average weekly earnings that do not exceed 20 times the minimum wage.

Table A.2 compares QC- and SIPP-based tabulations of the number of ABAWD FSP participants. According to the SIPP longitudinal file, 592 thousand FSP participants are ABAWDs in January 1992 (Table 1). Similar tabulations based on fiscal year 1996 QC data place the figure at 892 thousand. The discrepancy between these two estimates is caused in part by the fact that the total QC caseload in fiscal year 1996 (25.9 million) is substantially larger than the total SIPP caseload in January 1992 (19.5 million).¹⁴ In addition to the caseload discrepancy, ABAWD people represent a smaller percentage of the FSP caseload on SIPP (3.2 percent) compared with QC (3.6 percent). This discrepancy appears to be driven by the less-precise ABAWD definition in SIPP, as well as by the higher-percentage of SIPP participants that report working 20 or more hours per week.

Using the SIPP longitudinal file, we can determine whether an individual is an ABAWD and whether he or she receives food stamps in each month between January 1990 and February 1992. If an individual is both ABAWD and receiving food stamps in a month, the individual accumulates

¹²A person in the SIPP file is considered to be an FSP eligible student if he or she lacks a high school degree and is enrolled in school either full- or part-time.

¹³A person in the SIPP file is exempt if he or she is a parent of a child under age 18. This differs from the QC-based exemption (nobody under age 18 in the FSP unit) because, on the longitudinal SIPP file, it is not always possible to determine who is in a given FSP unit.

¹⁴There are two reasons for the discrepancy in total FSP caseload. First, food stamp receipt is consistently underreported on the SIPP. In January 1992, the number of food stamp reporters (19.5 million) was 22.3 percent less than the known caseload of 25.1 million. Second, between January 1992 and fiscal year 1996, the number of food stamp participants increased by 3.4 percent.

TABLE A.2

FSP PARTICIPANTS WITH CHARACTERISTICS RELATED TO ABAWD STATUS

	FSP Participants (Reporters)					
	FY 1996 QC Database			1990 SIPP Longitudinal File (1/92)		
	(000s)	Percent of Total	Percent of Subgroup	(000s)	Percent of Total	Percent of Subgroup
All FSP Participants*	24,720	100.0	100.0	18,787	100.0	100.0
Under Age 18	13,025	52.7	52.7	10,061	53.6	53.6
Over Age 49	2,746	11.1	11.1	2,172	11.6	11.6
Age 18 to 49	8,950	36.2	36.2	6,555	34.9	34.9
Age 18 to 49	8,950	36.2	100.0	6,555	34.9	100.0
Disabled / Unfit for Employment	1,612	6.5	18.0	605	3.2	9.2
Non-Disabled / Fit for Employment	7,337	29.7	82.0	5,950	31.7	90.8
Children in unit (SIPP: a parent)	6,694	27.1	74.8	5,145	27.4	78.5
No children in unit (SIPP: not a parent)	2,256	9.1	25.2	1,410	7.5	21.5
Exempt From FSP Work Registration Because:						
Meeting work requirement in other program	239	1.0	2.7			
Receiving unemployment compensation	123	0.5	1.4	313	1.7	4.8
Caring for a dependent child	1,972	8.0	22.0			
Caring for ill or incapacitated person	111	0.4	1.2			
Student meeting FSP eligibility criteria	228	0.9	2.5	492	2.6	7.5
In drug or alcohol rehabilitation program	59	0.2	0.7			
Employed a minimum of 30 hours per week	1,277	5.2	14.3			
Pregnant	88	0.4	1.0			
Subject To PRWORA's Work Requirement**	941	3.8	10.5	824	4.4	12.6
Subject to PRWORA's Work Requirement	941	3.8	100.0	824	4.4	100.0
Meeting the Work Requirement						
Working 20+ hours per week	44	0.2	4.7	232	1.2	3.5
CWEP participant	6	0.0	0.6			
Not Meeting the Work Requirement (ABAWDs)	892	3.6	94.7	592	3.2	71.8

SOURCE: Fiscal Year 1996 Quality Control Database and 1990 SIPP longitudinal file

* Excluding PRWORA-ineligible aliens

** Age 18 to 49, fit for employment, no children in unit, and not exempt from FSP work registration for any of the specified reasons.

1 month toward PRWORA's time limit. By tracking individuals across months, we can determine whether and when they hit the 3-month limit. Finally, using sample weights that are designed to replicate the U.S. population in January 1992, we can tabulate the percentage of ABAWD FSP participants that have exhausted their 3 months of eligibility.

In January 1992, 70.4 percent of all ABAWD FSP participants had exhausted their 3 months of eligibility. To determine the *number* of FSP participants that lose eligibility, we apply this percentage to FSP caseload estimates derived from the QC database. Thus, of the 892 thousand ABAWD FSP participants in an average month of fiscal year 1996, we estimate that 70.4 percent, or 628 thousand have exhausted their 3 months of eligibility.

D. CAVEATS REGARDING ABAWD ESTIMATES

Two important exemptions from PRWORA's work requirement are not modeled in this report—the waiver for people living in areas of high unemployment and the exemption for 15 percent of people who would otherwise lose eligibility. Consequently, not all of the 628 thousand ABAWD FSP participants that have reached PRWORA's time limit will be disqualified from the FSP.

FNS estimates that 36.8 percent of ABAWD FSP participants live in areas covered by a high-unemployment waiver, and that 15 percent of the remaining ABAWDs will be granted an exemption.¹⁵ Based on these estimates, only 337 thousand (53.7 percent) of the 628 thousand ABAWD FSP participants that have reached the time limit would actually lose eligibility.¹⁶

These estimates should be interpreted in light of three other caveats. First, the FSP caseload decreased in size by about 8 percent between fiscal year 1996 and fiscal year 1997. Presumably, he

¹⁵FNS's waiver estimate is based on approved waivers that states had implemented or intended to implement as of August 21, 1997.

¹⁶The 53.7 percent figure is calculated as: $100\% - 36.8\% - (63.2\% * 15.0\%) = 53.7\%$

number of ABAWD FSP participants also declined over this period. Second, the longitudinal analysis in Chapter III assumes that an ABAWD FSP participant loses eligibility the instant he or she reaches the 3-month time limit. In practice, the individual may retain eligibility until he or she applies for recertification. Thus, the impact of the time limit will be spread out over several months, rather than focused in month 4 as our analysis suggests.

The third caveat is that the longitudinal analysis presented in Chapter III is based on data from between January 1990 and February 1992, when there was no time limit on the receipt of food stamp benefits. When we use these data to simulate the impact of imposing a time limit in January 1990, we assume that no one changes his behavior in response to the time limit. If this assumption is incorrect, the estimates presented here may overstate or understate the number of people that lose eligibility.

FAX COVER



Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503



To:

Cynthia, Eric, Ann

Organization:

Fax Number:

From:

Jon Friedman

Date/Time:

Number of Pages:

Cover + 1

Notes: Can you do conf. call tomorrow at 2³⁰, or
sometime thereafter?

Attached is FNS' counteroffer. My take is that
we accept this, & negotiate on #3. I still
need to get Barbara's sign-off on that
strategy.

Jon

Income Maintenance Fax Number: (202) 395-0851

Voice Confirmation: (202) 395-4686

Now Proposal for FY 1998 QC Liabilities

1. Adjust error rates by using Scenario 23 -- \$45.87 million
2. Provide a further adjustment to exclude all errors of \$25 or less for each individual State.
Reduces liabilities to \$27.19 million against 16 States
3. Provide first time settlement States 50% waiver upfront with all other States receiving a $\frac{1}{3}$ upfront waiver.

For all States except Michigan allow reinvestment of remaining balance at the 65/35 split between payment accuracy type activities and other program access activities over 3 year period. Except for Michigan, no State would have a performance target or at risk money.

Michigan would receive the $\frac{1}{3}$ upfront waiver and would be required to reinvest $\frac{1}{3}$ of the remaining balance in payment accuracy activities and other program access activities (65/35% split). Michigan would be required to begin reinvestment immediately over 3 year period.

4. Performance years would be FYs 2001, 2002 and 2003 with a 2 percentage point decrease each year with FY 2003 target set at 9.5%. Amount at risk each year would be $\frac{1}{3}$ of the total at risk money.
5. Hold States to previous agreements and reserve the right to collect at risk money from previous agreements based on FY 2000 performance.
6. Notify States that FY 2000 liabilities will be treated in the same manner as FY 98 settlements with exception that the Department reserves the right to collect upfront cash payments in future settlements.

Propose to go to FNU

27 million - all reinvestment

- only 6 States -

79 → 27 million

Difference - no disengagement in

taking 79 million in liabilities to
take at error rates for errors
or claims

adjust for gross - departmental
high

- when D must be done

States above is below national avg
same reduction

Errors, taking > adjust for larger gross
controls - Period

FNU, 10% the NY
50% covered, 50% remain
60,000

2x efforts - 50% covered, 50% remain on 3 years

MS-

Go back to letter to town board

State needs to address in using & removing?

Cyprus - not covered to be a bridge

Reaction? What is it? ? Below are

re-investment, at-risk, performance goals - removal & request

plus for re-investment - can have more acc
up to 25% - cost per investment

MS - 15 million

2.4 m - MD

2.2 m -

2 - 800,000

↓ ↓ ↓
→ Separate algorithm
for class

enums

25 - make & implement it

25

→ sum of squares

EOP Passback
Structure for FY98 QC Liability Settlement Proposals

1. Hold states harmless from the error rate effects of serving a disproportionately high number of earners and aliens. For example, if the proportion of earners is 20 percent of the national caseload, and earners in a particular state constituted 30 percent of that state's caseload, the extra 10 percent would be treated as if they incurred errors at the state's average error rate, rather than at the (presumably higher) error rate for aliens or earners, respectively.
2. Adjust liabilities downward for states who had a disproportionately high number of errors caused by the \$5 threshold, as compared to the national average.
3. Structure settlement proposals for remaining liabilities (after adjusting for #1 and #2 above) to include waiver, reinvestment, and placement of funds at-risk. Settlement proposals may vary for first-, second-, and third-time liability states, but no settlement proposal will include upfront cash repayment. Require a portion of reinvestment dollars to be spent on program accessibility activities. At-risk dollars will be at-risk of reinvestment or payment, based on target error rates. **Details for this portion of the settlement proposals are to be determined after seeing the effects of adjustments #1 and #2 above.**
4. Set target error rates so that State's that are furthest from the final target have more time to get there. Structure settlement proposals so that each state has a goal of lowering its error rate by 1 to 2 percent each year, until it reaches the final goal. Within this framework, please provide a recommendation on the magnitude of the annual reduction required.
5. Continue to hold States to their previous settlement agreements. Notify all States that the Department will not exercise its option to collect cash for failure to meet FY98 performance targets. The Department reserves the right to collect funds placed at-risk in previous settlement agreements based on performance in FY99 and subsequent fiscal years.
6. Notify states that FY99 liabilities will be treated in the same manner as the FY98 settlements, with the exception that the Department reserves the right to collect upfront cash payments in future settlements.

RESOLVING STATES' FOOD STAMP QUALITY CONTROL LIABILITIES

I. Introduction

With the possible exception of issuing regulations, the Administration's decisions regarding the billing of states for potential quality control (QC) liabilities is the most forceful and important way the Administration communicates with states about the operation of the Food Stamp Program. USDA's national and regional office staff meet and correspond with states on a host of issues, but compliance with these exhortations is rarely tied to the burden and humiliation of fiscal penalties. As important as the President's advocacy of food stamp access for the working poor was this summer, states that disregard his message in favor of other priorities are at little risk. Because it is the only message to states that is backed by the routine imposition of fiscal penalties (whether through mandatory reinvestment or still harsher means), the Administration's QC message can easily drown out all of its other priorities - including the President's Food Stamp Initiative - unless USDA's actions are most carefully measured.

The embarrassment of having to explain to the state legislature that it must appropriate unmatched money for "reinvestment" because of the state's high QC error rate has caused governors to put human services officials' jobs at risk. Moreover, many states calculate error rates down to the level of individual supervisors' units and make those error rates an important part of personnel evaluations. By contrast, rarely if ever have state officials lost their jobs for failing to assure access to food stamps or failing to work towards USDA's many other goals for the Program.

Even when all potential QC penalties were resolved through a combination of waivers and reinvestment, USDA was putting far more pressure on states to improve payment accuracy than it was with respect to any other aspect of Program administration. When USDA began holding states "at risk" for paying sanctions if they did not meet specific error reduction targets a few years ago, it significantly increased the payment accuracy pressure on states.

Now the Administration is contemplating a further increase in pressure on states by collecting cash payments from some states whose error rates exceeded the national average in fiscal year 1998. With strong signs that QC concerns are thoroughly dominating states' food stamp agendas to the exclusion of other important Administration priorities, its decision on QC billings will have a profound impact on Program operations. The Administration should carefully consider all of these effects before deciding which course to take. If, by taking an aggressive stance on QC billings, the Administration continues to elevate the importance of payment accuracy far above the goals of preserving the Food Stamp Program as a national nutritional safety net, it should not be surprised if states do likewise.

II. The Effect of Increasing QC Pressure on States

A common assumption underlying discussions of food stamp QC has been that states would respond to increased pressure primarily by improving their administration of the Food Stamp Program. When automatic error rate penalties were initiated in the early 1980s, this was broadly true simply because states had few viable alternatives. Today, however, a state can reduce its QC error rate through any of three strategies, two of which are antithetical to the purposes of the Food Stamp Program:

- Improving management of the Program;
- Adopting policies that drive away categories of households (such as the working poor) that are more difficult to serve and thus typically have higher error rates; or
- Obtaining waivers (or the equivalent) to weaken or eliminate aspects of the food stamp benefit structure that help target benefits on those most in need (and in the process eliminate the potential for errors in administering those rules).

Which of these options a state takes in response to greater federal pressure will largely be determined by how much a state believes each will help it achieve the error reduction that USDA is demanding and the degree to which each interferes with the state's other priorities. Each of these options deserves separate consideration.

A. Improving Program Management

The national error rate hit its all-time low in 1996. Not coincidentally, it has been rising since states began to implement the 1996 welfare law. Unquestionably, the welfare law made administration of the Program much more difficult and complex. It created numerous new grounds on which households may be ineligible for food stamps; a state's failure to identify any one of those factors can cause a household's entire allotment to be in error. Quantifying the 1996 law's impact on states' error rates – estimating how much higher error rates would be in 1998 than they were in 1996 given comparable administration if the law had not changed – is obviously impossible. It is not unreasonable to believe, however, that a large part of the 1.5-point increase over the past two years reflects the greater complexity of the current Food Stamp Program.¹

¹ To be sure, some states' error rates have spiked in ways that cannot readily be explained by the effects of welfare reform. That, however, has always been the case: in most years, a few states get significantly better, a few states get significantly worse, and most remain in broadly the same relationship to the national average that they occupied in previous years. Therefore, although welfare reform does not

Achieving the same nominal error rates in the current program that were achieved in the simpler program of three years ago will be very difficult.

In addition, the strong economy means that more households are working, and many of those that are temporarily unemployed find jobs more rapidly. Jobs are more available to those that want them and have the necessary job skills. Fluctuations in wages and the getting and losing of employment are major sources of food stamp errors, which makes the current good economic times bad news for states' efforts to achieve payment accuracy in the Food Stamp Program.

Rising error rates in some states, of course, results from neglect. Even here, however, it is important to understand *why* states may have been neglecting administration of the Food Stamp Program, not to excuse it but to determine the likelihood that increased pressure through QC billings will lead to a major improvement. It is probably no coincidence that some of the states with the highest error rates – Michigan and Wisconsin – are also among those with some of the most ambitious, high-profile welfare-to-work programs. A large part of Michigan's food stamp error problem apparently results from the State having given food stamp eligibility workers unmanageably large caseloads. Part of the cause of these huge caseloads is the State's decision to reassign the most talented eligibility workers to be TANF employment counselors with extremely small caseloads so that they can give a great deal of individualized attention to help families move from welfare to work.

In the current environment, it is highly unlikely that most states will be willing to subordinate their welfare reform efforts to improving food stamp payment accuracy, no matter how much coercion USDA may apply. Where, as in states like Michigan, the problem is insufficient staff resources to administer the Program properly as it is currently constituted, the state may be more likely to seek changes in the composition of its caseload or in the food stamp rules it is required to apply than it is to divert those resources from its welfare reform priorities.

In determining the optimal level of pressure to goad a state to improve administration of the Program, the Administration should consider how rapidly the state is likely to be able to reduce its error rate simply through improved administrative methods. Over the history of the food stamp QC system, states that have reduced their error rates more than one or one-and-a-half percentage points per year have been likely

explain the increase in *each state's* error rate, it may well explain why the *national average* has trended up the last two years. Although some states' performance has unquestionably deteriorated, there is little evidence that the modest rise in the national average error rate reflects deterioration in the aggregate quality of state administration as opposed to the greater complexities of the post-welfare reform Food Stamp Program and food stamp caseload.

to experience disproportionate declines in participation (or disproportionately small increases in participation during recessions). Demanding unrealistically rapid improvement in a state's payment error rate is likely to push the state to resort to other, less desirable means than tightened program administration.

B. Discouraging Participation by Error-prone Households

States do not ordinarily announce that they seek to discourage working poor and other "error-prone" households from entering or remaining in the Food Stamp Program, and most program administrators probably do not actively wish to do so. Nonetheless, when told that their careers are on the line if they do not reduce their payment error rates substantially, it is not surprising that everyone from state administrators to individual eligibility workers will be inclined to impose more severe tests on households in categories where errors are more frequent, even if that means discouraging access.

- The five states with the largest decline in food stamp participation since 1994 – Arizona, Indiana, Ohio, Texas, and Wisconsin – all required at least 54 percent of working families with children to reapply for food stamps at least once every three months in 1998. ~~None~~ of these states imposed three-month certification periods on more than three percent of such households in 1994. All five states imposed these short certification periods as part of error-reduction campaigns that produced error rate declines of between five and almost eleven percentage points in each of these states except Wisconsin.
- From 1996 to 1998, by far the largest reduction in error rates was achieved by Missouri, which dropped more than five percentage points. To get this reduction, Missouri went from having less than three percent of working families with children reapply every three months to requiring 92 percent of such households to do so. This caused a 26 percent drop in total participation and a larger drop in participation by working poor households.
- Maryland, one of the states with the most severe payment accuracy problems, recently obtained a waiver to require all working poor households in Anne Arundel County to reapply for food stamps every month. These households will only have to appear for interviews every six months, but those that fail to complete and submit a new application and related verification every 30 days will be terminated. Such a procedure is likely to lead to substantial reductions in participation among eligible low-income working families.

- States facing QC sanctions are under no pressure to avoid improper denials and terminations of eligible households. Although all states are required to report on their improper denial and termination ("negative case") error rate, USDA only verifies states' self-reporting of this error rate where the state has a very *low* payment error rate. Not only are states with high payment error rates subject to no penalties if they adopt a policy of "when in doubt, deny," but the Department does not even attempt to ascertain whether the state is making such errors.²

In their drives to reduce error rates, USDA's regional offices have promoted, and the states have implemented, numerous strategies antithetical to the President's initiative to make food stamps available to support the working poor, such as increasing the paperwork required of these households or making the kinds of stigmatizing calls to employers that USDA's access guide seeks to discourage. The threat of QC sanctions, and the lack of any remotely comparable pressure on states to make program access a priority, is likely to lead states to continue their movement in this direction.

For example, while Michigan could achieve manageable caseloads for its food stamp eligibility workers by hiring more staff or diverting staff from its TANF welfare-to-work activities, Michigan also could achieve more manageable caseloads by reducing food stamp participation. For state policymakers who are devoted to their welfare reform programs and fear political attack for "expanding the bureaucracy" if they propose hiring new eligibility workers, large food stamp caseload declines help to solve the problem.

Faced with some similar issues in Medicaid, the Clinton Administration essentially concluded that the threat of QC penalties would so severely undercut its children's health initiatives that it effectively mothballed the Medicaid QC system. Although no one is suggesting such a radical step with respect to food stamp QC, the same trade-offs between payment accuracy and program access exist in food stamps as well.

C. QC-driven Waivers

During the late 1980s and early 1990s, states sought waivers from AFDC and food stamp rules primarily to promote welfare-to-work programs and other efforts to help families improve their self-sufficiency. Today, states are increasingly seeking

² Two GAO reports in the late 1980s found that states routinely under-reported their improper denials and terminations to USDA. Delaware has reported that it made *no* improper denials or terminations in six of the past seven years but has never been challenged on this outlandish claim.

waivers whose primary purpose is to define away part of their error rate problems. For example:

- At OMB's direction, USDA recently approved an extension of a waiver allowing Montana to calculate the shelter deduction for all households by assuming that all households incur a standard amount of utility costs (known as a "standard utility allowance") whether or not the household actually incurs *any* utility costs. (For some households, utility charges are reflected in the rent and no separate utility charges are incurred.) This waiver has no conceivable purpose in improving the targeting of food stamp benefits on those most in need, much less promoting welfare-to-work efforts. The obvious purpose of this waiver is to eliminate the possibility of Montana eligibility workers making QC errors in calculating households' utility costs. Nationally, errors involving deductions (overwhelmingly the shelter deduction) constituted 31 percent of all error dollars in fiscal year 1997. (With the help of this waiver, only 22 percent of errors in Montana involved deductions, one of the lower shares in the nation.)
- Last month, USDA approved two waivers Oregon requested to calculate the medical and excess shelter deductions for households by using standard figures instead of households' actual expenses. (A household's actual costs will be relevant only when it claims expenses exceeding the generous standardized levels.) These standard figures would eliminate individualized calculations for at least half of all households that claim the medical deduction and at least three-quarters of households that claim the shelter deduction. Although Oregon has not specified the offset it will use to pay for this approach, it appears likely to be an across-the-board benefit cut. Thus, Oregon would shift benefits from households whose food budgets are hard-pressed by high shelter costs (these households would lose benefits under the across-the-board cut but gain nothing from the standardized shelter cost amount) to households that benefit from housing subsidies or other inexpensive housing accommodations. (The losses those households incur under the across-the-board cut would be more than offset by a shelter deduction that exceeds what these households' circumstances justify.) Here again, the waiver serves no rational redistributive or behavioral purpose. Its sole purpose is to define away a category of Oregon's errors. (In 1997, 36 percent of Oregon's QC errors involved deductions, one of the highest percentages in the country.)
- Other states with error rate problems, including California and Washington, are working on proposals for waivers that appear likely to consoli-

date and flatten deductions in the Food Stamp Program to eliminate some of their sources of error. The QC tolerance level is defined as the national average error rate. This means that as more states obtain waivers to define away categories of errors, others increasingly will feel obliged to follow suit. If USDA is threatening to take money from states whose error rates exceed the national average computed in this manner, states can argue that it cannot fairly deny them error-eliminating waivers granted to other states. Already, the failure to approve more QC-driven waivers has become a central and recurrent theme of APHSA's attacks on USDA. This trend can rapidly sweep away the excess shelter deduction and other critical features of the Program that target food stamp benefits on those most in need.

- Perhaps most starkly, South Carolina reportedly is working on a proposed "simplified food stamp program" (a device similar to waivers designed by House Republicans in 1995 as an alternative to a full food stamp block grant) that would define away essentially all errors involving any family that receives a welfare check. The simplified food stamp program allows a state to incorporate into the food stamp program the same definitions of income that the state uses in its TANF program. South Carolina officials have said they will define TANF income as whatever is recorded in the case file, whether or not that corresponds to a household's actual circumstances. Thus, under its simplified program proposal, South Carolina would be immune from food stamp errors that result from a family having earnings not reported and not shown in the casefile. This approach obviously would have a cost, which might be offset with another across-the-board benefit reduction. If this were approved, it would eliminate such a large portion of errors that almost every other state likely would feel obliged to follow suit even if it found the benefit cut involved unappealing. South Carolina can be expected to raise a vigorous legal and political challenge if USDA rejects its proposal, since the statute creating the simplified food stamp program sharply limits USDA's discretion to reject "simplified food stamp program" requests.

Punishing states for imperfect implementation of rules the Administration regards as so unimportant as to be freely waivable makes little sense, logically or politically. With waivers (and potentially the simplified food stamp program) offering states such sweeping opportunities to define away errors without improving program management, any increase in QC pressure on states almost inevitably will lead to an increasing demand for waivers. Unchecked, the combination of QC penalties imposed on the grounds that a state's error rate exceeds the national average error rate and the political difficulty of rejecting even the most patently QC-driven simplified program or

waiver proposal is likely to lead to a destructive spiral of ever-greater state demands to eliminate federal rules without regard to their merits until the food stamp program loses much of its shape and coherence as a national program. At that point, it will be difficult to explain why the final step should not be taken, with the food stamp program converted to a block grant.³

A better alternative to approving these waivers (and one likely to be acceptable to the states involved) would be simply to exclude errors in these areas from QC calculations. The effect on program management would be the same, and the targeting of food stamps on those most in need would be preserved. The option of simply excluding these errors is regarded as ridiculous and unthinkable, and for good reason. Yet the path down which the current system is leading us is considerably worse.

III. The Consequences of USDA Taking Money from States

In very few programs does the federal government take money from states absent a finding of criminal misconduct or willful disregard of clear federal rules. Certainly, it is quite extraordinary for the federal government to impose penalties on states merely because they fail to perform up to the national average, since such a system guarantees that large numbers of states will be found liable each year even if most states are performing well. Federal policy ordinarily is executed through more surgical tools that afford states the respect to which they believe they are entitled in the federal system. It should not be surprising, therefore, that states bitterly resent the food stamp QC system and refuse to accept the legitimacy of USDA imposing fiscal penalties on them in the absence of a showing of deliberate, serious malfeasance. These concerns have led all prior administrations (including Reagan's) to refrain from collecting virtually all of the QC liabilities initially assessed under the statute.

In the current climate of federal-state relations, automatic food stamp QC penalties have become even more of an anachronism. At a time when welfare, child care, and job training programs have been converted to block grants, and where states have substantial freedom to design their own child health insurance programs under Medicaid and CHIP, the Food Stamp Program's continued existence as a federal entitlement with defined rules is more than enough to make it stand out – and increasingly to draw conservative fire. Adding to that a system that mechanically assesses liabilities on states based on mistakes that individual eligibility workers or recipients have made in implementing its increasingly complex rules – and that penalizes the most those states that

³ States' payment accuracy problems hardly provide much justification for shifting control of the Program to the states. Thus, the disease of error rates – though important – is not life-threatening to the food stamp program, while the medicine of overly harsh QC penalties could well be.

do the best in serving the working poor — and it is difficult to see how the Food Stamp Program can long be sustained.

A decade ago, the National Academy of Sciences studied the food stamp QC system at Congress's request. It concluded that *the QC system should only punish the very worst states* (and reward the very best). Other, less intrusive means could be employed to push for improvement by the vast majority of states that occupy intermediate positions on the error-rate scale. Not only did NAS find that such a policy was consistent with sound management principles and respectful federal-state relations, but it also found it unjustified to penalize states based on a point estimate of their error rates without regard to the uncertainty that necessarily surrounds any estimate derived from statistical sampling. No state should be fined, NAS recommended, unless the lower bound of the confidence interval around USDA's estimate of the state's error rate exceeded a level that was determined to represent the outer bounds of reasonable program administration. The NAS study is well worth reviewing prior to arriving at any decision on the pending potential liabilities.

In a program where benefit dollars are paid entirely with federal dollars, it is necessary and appropriate for USDA to insist that states pay proper attention to the sound administration of the Food Stamp Program. Where other means have been exhausted and a state is clearly disregarding its obligations under the Program, the Department may be forced to take money from that state as a way of demanding its attention. But this should be done only as a last resort, and then only in a manner that fairly reflects the difficulties of the task that the state is being asked to perform.

IV. The Danger of Encouraging States to Support a Food Stamp Block Grant

State anger against federal food stamp rules and USDA already is approaching a boiling point, even without further financial penalties under QC. The intensity of the states' hostility is quite unprecedented. State officials long among the most liberal on food stamps are now turning against the Program. The President's Food Stamp Initiative this summer certainly won some good will from states, but that will be more than offset if the Administration now increases QC pressures on states.

States already have begun to mount a campaign on Capitol Hill to eliminate key safeguards the 1996 welfare law imposed on food stamp waiver authority (which the welfare law broadened) and on the "simplified food stamp program." What the states advocate is to open these provisions up to such an extent that the Food Stamp Program is effectively turned into a quasi-block grant that no longer has a true national benefit structure; federal funding would still be provided on an entitlement basis for the Food Stamp Programs that states design. (To be sure, states generally would need federal approval for the changes they would prepare to make in the benefit and eligibility

structure though waivers, but it is difficult to imagine such approval not ultimately being granted. There would eventually be 30 or 40 separate Food Stamp Programs. Once that occurs, it is likely that a full block grant would follow within a few years.)

The chairman of the House subcommittee with jurisdiction over food stamps, Rep. Bob Goodlatte, is a long-time supporter of a food stamp block grant. At a recent hearing, he again suggested converting food stamps into a block grant comparable to TANF and asked state witnesses to comment. All three states present, including one with a Democratic governor, strongly supported this proposal. It likely is no coincidence that all three of these states have been under intense QC pressure from USDA. The replacement of the AFDC with the TANF block grant has left states increasingly impatient with the intrusiveness of USDA's control over the Food Stamp Program, which is given special force by food stamp QC.

This is creating a toxic brew. In 1995-96, there was no strong state push (beyond the efforts of Governor Engler) to convert food stamps to a block grant. *Had there been, the President likely would have had to have vetoed the welfare bill in order to have stopped at least a state option block grant.* Several factors have contributed to this rapid deterioration in states' support for the Food Stamp Program, but by far the single biggest problem is the increased pressure on states relating to their QC error rates without compensatory steps that recognize how the movement from welfare to work and greater program complexity raises these rates.

The course of increasing the pressure on states to drive down error rates because lower error rates ought to strengthen the program politically worked in the 1980s. But with all of the increased flexibility states have received in other federal-state programs ranging from TANF to Medicaid and CHIP to child care and job training, this has turned out to be the wrong time to adopt that strategy. The result has been to unleash a state backlash that has substantially weakened, not bolstered, the Program. The consequences of further tightening the screws at this time could be grave.

V. Adjusting Error Rates to Enhance Fairness Among States and to Reduce Conflicts with Important Welfare Reform Goals

Before turning to the fundamental question of how the Administration should handle states' potential QC liabilities in the final section of this paper, it is important to ensure that those liabilities are computed in a fair and appropriate manner that takes into account the dramatic changes of the past three years. In determining the severity of individual states' payment accuracy problems, the Administration should consider the degree to which states truly are competing on a level playing field in the current environment. The 1996 welfare law, states' efforts to move families from welfare to work, and wide variations in states' policies on program access have created different

conditions in different states. Although these are not responsible for all of the disparities in states' performance, the Administration ought to make a serious effort to take them into account before using QC error rates to determine the potential liabilities to be imposed on states. This section considers several possible adjustments that could be made in response to the most serious criticisms lodged by states regarding the fairness of the current measures.⁴

A. Adjustments to Avoid Punishing States for Successful Welfare-to-Work Efforts or for Serving the Working Poor

Because of the difficulty of keeping track of earnings that may fluctuate, working households are substantially more error-prone than households receiving only public assistance. In 1998, *every state* had a higher error rate for households with earned income than for those without. (See Table 1.) Nationally, the reported error rate was about *six percentage points higher* for working households than those with no earned income. Six points is more than the difference between the level at which states receive the maximum amount of enhanced funding for *low* error rates and the level at which states become subject to penalties for exceeding the national average error rate.

As a result, a state that has done a good job of moving low-income families from welfare to work will face a significantly more difficult task in keeping its QC error rate below the national average. By the same token, the QC system provides a perverse disincentive for states to make food stamps accessible to the working poor. States have criticized this aspect of the food stamp QC system forcefully. To a large extent, they are right.

From 1996 to 1998, the proportion of food stamp households with earnings increased by 14 percent (from 22.5 percent of food stamp cases to 25.7 percent). The share of households with earnings rose in 42 of the 53 jurisdictions administering the Food Stamp Program. Significantly, four states that have relied heavily on short certification

⁴ All of these adjustments would have the effect of lowering the error rates of states with potential liabilities. None would affect states whose official, unadjusted error rate is below the national average, and none would change the figure used to compute the national average error rate. To be sure, the same factors that make it harder for some states to attain a given error-rate target make it easier, relatively speaking, for other states to do so. This paper does not propose upward adjustments for two reasons. First, this approach is consistent with the NAS's recommendation and the federalism concerns that only true outliers, determined in a manner that takes into account the imprecision of sample-based measurements, be subject to penalties. Second, USDA appears not to have the legal authority to adjust error rates to states' disadvantage: downward adjustments are possible under the Department's broad authority to waive or find "good cause" for otherwise sanctionable error rates, but no similar authority exists to impose QC sanctions on a state whose statutory error rate falls beneath the national average. In these cases, of course, the Department could apply its authority under section 11(g) of the Act to sanction negligence or non-compliance by a state with any specific provision of the statute or regulations.

periods for the working poor as part of major error reduction efforts – Indiana, Missouri, Texas, and Wyoming – were among the minority of states with a declining percentage of families with earnings in their caseloads.

At least two types of states can face increased difficulties in maintaining payment accuracy because of serving working families. First, a state whose recent welfare-to-work efforts have caused a sharp increase in the proportion of its food stamp participants with earnings may find that its food stamp staff is ill-equipped to handle the new, more demanding nature of its caseload. And second, a state where the proportion of earners is higher than the national average will have a more difficult task than the other states to which its error rate is being compared. Separate adjustments may be appropriate to reflect each of these situations:

- A state whose food stamp caseload includes a higher proportion of earners than it did two years earlier could receive an adjustment to offset the effect of that increase. This adjustment would be computed by applying its current error rates for households with and without earnings to the distribution of those households that existed two years earlier. For example, if a state had an error rate of 20 percent for working households and 10 percent for those without earnings in 1998 and one-third of its food stamp households were employed, its error rate would be 13.33 percent. Assume that only 30 percent of its caseload was employed in 1996. If the 1996 distribution between earners and non-earners had remained the same in 1998, the state's error rate would have been about 13 percent. This state could be given a downward adjustment of 0.33 percentage points, which represents the difference between these two figures.
- A state whose food stamp caseload includes a higher proportion of earners than the national average could receive an adjustment to reflect that difference. Assume again a state with a 20 percent error rate for working households, a 10 percent error rate for households without earnings, and one-third of its caseload employed. In 1998, 25.66 percent of food stamp households nationally had earnings. If only 25.66 percent of the households in this state contained earners (and error rates remained the same for earners and non-earners, respectively), the state's error rate would have been about 12.57 percent instead of 13.33 percent. This state could be given a downward adjustment of 0.77 percent reflecting the difference between these two error rates.

Because states with *both* large *and* rising ratios of earners are likely to face greater burdens than states confronting only one of these factors, states should be able to receive

either or both of these two adjustments if they qualify.⁵ (Since these adjustments would be made under the Department's discretionary waiver authority, they could only be applied to reduce a state's error rate, not to increase it.) On the other hand, these adjustments would not be available to states seeking to qualify for the enhanced administrative funding that is provided to states with extremely low error rates.

Only USDA has the data to compute the precise impact of these adjustments.⁶ Table 2, however, represents our best approximation of how this approach would affect 1998 error rates and liabilities:

- Of the 22 states facing sanctions, three with official error rates that modestly exceed the national average – North Carolina, Oklahoma, and Virginia – would see their liabilities eliminated. One of the 22 states, West Virginia, would receive no relief because its share of earners is below the national average and declining modestly. The other 18 states would receive relief ranging from less than one percent of their liability (Alaska) to 86 percent (Iowa). Overall, these adjustments would produce a 30 percent reduction in liabilities nationally.
- In four states – Illinois, Iowa, Michigan and Virginia – the adjustments would reduce the error rate by more than one percentage point, reflecting large or rapidly increasing numbers of working households. (Even after having its error rate reduced 1.05 percentage points, Michigan's potential liability still would exceed \$19 million.)
- Twelve of the 14 states whose official error rates exceed the national average by at least two percentage points would still be more than two

⁵ Some might argue that allowing a state to claim both adjustments has the effect of giving some states double credit for some working families. On the other hand, states could argue with some merit that they might have had lower error rates for all households if they had not been struggling to keep track of so many working households. Computing adjustments with actual current error rates for each sub-population but allowing states to claim both adjustments if they qualify seems a reasonable compromise.

⁶ Not only does USDA have unrounded data, but it also has the capacity to convert states' reported error rates into official error rates. This process involves a regression formula designed to adjust states' reported error rates for discrepancies that federal reviewers found when sampling a sample of the cases the states' QC staff reviewed (and projecting these discrepancies over the entire state QC sample). Lacking the data from which to calculate the effects of this regression formula, we derived the estimates of adjusted official error rates in this paper by multiplying states' reported error rates by the percentage difference between the state's FY 1998 reported error rate and the official error rate USDA computed for FY 1998. Thus, for example, if a state reported its overall error rate was 10 percent but USDA's regression formula determined the state's official error rate was 10.7 percent, we increased each component of the state's reported error rate by seven percent to approximate an official error rate.

points above the national average level after these adjustment are made. All five of the states whose official error rates have exceeded the national average by two percentage points for three consecutive years in 1996, 1997, and 1998 – Illinois, Maryland, Michigan, Washington, and Wisconsin – would still have adjusted error rates more than two percentage points above the national average. (Similarly, all four of the states whose official error rates exceeded the national average by at least two points in both 1997 and 1998 but not in 1996 – Alaska, Georgia, Nebraska, and Oregon – would have adjusted 1998 error rates more than two percentage points above the national average.)⁷

These adjustments would partially accommodate states' legitimate criticisms about the interaction between welfare reform and food stamp QC without by any means eviscerating QC. If the Administration adopts this approach, the question of what to do about the remaining potential liabilities of these 19 states will remain. (This issue is discussed later in this paper.)

B. Adjustments to Avoid Punishing States for Serving Legal Immigrants

One other area in which states' task of administering the Food Stamp Program has become more difficult in recent years is in the treatment of legal immigrants. Prior to the 1996 legislation, 64 percent of food stamp households containing legal immigrants also contained at least one U.S. citizen. Under the welfare law, the U.S. citizens in these households remained eligible for federal food stamps, but states had to distinguish between eligible and ineligible members and handle the incomes and expenses of eligible members accordingly. With last year's immigrant restorations, even more households contain some eligible and some ineligible members. Finally, states with food stamp replacement programs faced additional complexity applying separate federal and state eligibility rules.

Not surprisingly, states' reported error rates for households with at least one immigrant member climbed from 10.2 percent in 1996 – below the official national error rate – to 16.6 percent in 1998. (See Table 3.) In other words, *the error rate for such households rose 63 percent*. The burden of this increased complexity, of course, was concentrated among a handful of states in which immigrants constitute a large share of the population. Of particular note, states with replacement food stamp programs for legal

⁷ It is possible that some of these nine states might have adjusted error rates for 1996 or 1997 that did *not* exceed the national average by at least two percentage points if similar adjustments were made for those years. In determining which states are persistent serious offenders, it would be appropriate for the Department to calculate similar adjustments for those earlier years.

immigrants appeared to experience particularly severe problems.⁸ Of the five states with error rates that exceeded the national average by two percentage points for the third consecutive year in 1998 – Illinois, Maryland, Michigan, Washington, and Wisconsin – only Michigan did not have a state replacement program. Three of these states had error rates for immigrant households exceeding 19 percent. Not surprisingly, some state administrators have begun to argue that their states cannot afford the QC errors that have resulted from their replacement programs and that their states should consider shutting down those programs. Although it does not appear that any of the states that terminated their state replacement programs did so primarily for QC reasons, these programs are likely to come under greater scrutiny in future years, particularly if the Administration further tightens QC fiscal pressures on states.

This suggests that an adjustment for the increased difficulty of handling immigrant households is appropriate. Designing such an adjustment is somewhat more difficult than designing an adjustment for households with earnings:

- One possibility would be to recognize directly the difficulties that applying separate (and changing) federal and state rules pose for states with substantial replacement programs for legal immigrants by giving an adjustment based on the percentage of federally ineligible legal immigrants that fall into categories covered in the state's replacement program. Thus, state replacement programs that affect – and complicate certification decisions involving – more immigrants would result in a larger adjustment for the state. Such an approach, however, although probably technically feasible, could be criticized as an inappropriate attempt to use federal resources to induce states to provide benefits to immigrants.
- Another, more politically defensible approach could be to assume that the increase in the national error rate for immigrant households fairly reflects the increased difficulty of serving these households. States would be held accountable for those errors that they likely would have made in providing food stamps to immigrant households under prior law as well as for any increase in their error rates for these households that exceeds the national average. This approach is consistent with the basic premise of the current food stamp QC system that uses the national average as a proxy for determining what is realistic to ask of state administration of the Food Stamp Program. States where immigrants are a large part of the caseload would not be penalized because the increased difficulty of serving immig-

⁸ Not only does a state-funded food stamp replacement program add to complexity in its own right, but by increasing the total level of benefits available to immigrant families it encourages their participation, giving states with replacement programs more error-prone mixed immigrant households to serve.

rant households has affected them disproportionately. Specifically, a state's adjustment would be calculated by determining what its error rate would be if its error rate for immigrant households had been 6.38 percentage points lower than it actually was. (This figure represents the amount by which error rates for immigrant households nationally have increased since the enactment of the welfare law.) This would continue to give states an incentive to work to reduce errors involving immigrant households and, on average, would remove the disincentive that QC now provides to serve immigrant households.

Table 4 shows the effect of applying this additional adjustment to state error rates, as those rates would be reduced for the effects of serving the working poor (as described above):

- This adjustment for the disparate impact of the new complexities of serving legal immigrants eliminates the liability of California, which is not surprising given its immigrant population, its full food stamp restoration program for immigrants, and the fact that its relatively modest liability also was reduced by adjustments for the growing share of the working poor in its caseload.
- The other 18 states with liabilities remaining after adjustments for serving earners all receive some relief, but for those with small immigrant populations, the reduction is extremely modest: Delaware, Iowa, Michigan, Vermont, and West Virginia all would see their liabilities reduced by less than six percent.
- Overall, this adjustment reduces liabilities by 22 percent from the initial level, or \$17 million. Some 80 percent of the impact is in five states with large immigrant populations and state food stamp replacement programs: California, Florida, Illinois, New York, and Washington State.
- Four states whose error rates exceeded the tolerance by at least two percentage points after adjusting for the impact of earners – Connecticut, Illinois, New York, and Oregon – fall within two percentage points of the tolerance after this adjustment. All of these states except Oregon has a state replacement program for legal immigrants.

Overall, the combined effect of these two sets of adjustments would be to eliminate about half of the liabilities that USDA initially computed for states. Four states' liabilities would be extinguished, and six states that had been more than two percentage points above the tolerance level would now fall within that range. Just under half of the

remaining liabilities would be owed by one state, Michigan, although its liabilities would have been reduced by almost one-third.

C. Additional Possible Adjustments

A reasonable argument could be made for providing additional adjustments to distinguish between states that have adopted policies that make the Program more difficult for eligible people to access and those that have refused to adopt such policies. Although the working poor are an error-prone population, they are by no means the only such population. Homeless households, for example, have highly unstable circumstances that are likely to lead to errors. Recipients of child support payments may receive two checks in one month and none the next, causing errors in each month. Large families and those that are extremely poor receive larger benefits and thus will expose the state to a larger dollar error if QC subsequently finds them ineligible. States that adopt policies that reduce access can effectively limit participation by households in some of these categories and thereby reduce the difficulty of administering the Program. For example, extensive verification requirements are likely to discourage most of the homeless. Automatically having "pre-eligibility fraud investigators" call employers, neighbors, and children's schools of those applicant households that qualify for an allotment exceeding a certain level will discourage many large or very poor families from applying as word of this practice spreads.⁹

States that have rejected these policies as a matter of conscience are likely to have more error-prone caseloads and thus will be at a disadvantage in trying to reach the national average error rate that is depressed by the practices of less scrupulous states. These states should not be penalized for their fidelity to the Administration's important priority of maintaining program access. Unfortunately, however, it appears that USDA lacks sufficient data on state certification practices to construct a meaningful quantitative adjustment factor here. It may be worth further investigation to determine if data to support such a measure – whether for use in the QC system or otherwise – could be constructed in the future.¹⁰

⁹ This practice is discussed on page 11 of the access guide USDA issued this summer.

¹⁰ Some states also have argued that their error rates should be adjusted to reflect overissuances they have collected back from households. This would be inappropriate. The purpose of QC is to encourage states to make the correct determinations when they issue benefits. Collecting back benefits over issued – or restoring underissuances – are important activities as well, but they are separate. Collecting back an overissuance typically costs more in federal administrative dollars than making the determination correctly in the first place. States already are rewarded for claims collection efforts by being allowed to keep a fraction of the federal benefits they recover where the error was the household's fault.

Further rewarding state collection efforts through the food stamp QC system would make no

VI. Resolving States' Remaining QC Liabilities

USDA currently has two separate sets of potential state liabilities whose disposition it needs to resolve. First, it has state liabilities for fiscal year 1998, which were initially determined to be almost \$80 million but which could be reduced to somewhat less than \$40 million through the adjustments recommended above. Second, several states have outstanding liabilities from prior years that were placed "at risk" based on their error rates for fiscal year 1998. Since some of these states did not reach the targets USDA had set for them, the Administration must decide how to handle those liabilities. Both of these decisions involve the extremely delicate issue of the federal government taking money from states, and the violent reaction such billings will inevitably cause. These decisions thus need to be resolved consistently and with the Administration's broader policy goals in mind.

A. Avoiding the Unfairness of Applying New Penalties Retroactively

By adopting a widespread practice a few years ago of holding significant amounts of states' QC sanctions "at-risk" based on their future error rates, USDA significantly raised the stakes in error reduction for states. The impact of this change is impossible to assess because it coincided with the tumult of welfare reform, under which states' paramount goal was to establish new cash assistance and welfare-to-work programs under the TANF block grant. It is likely, however, that this policy change is having a significant effect, particularly now as states are becoming able to return some of their attention to food stamps.

If the Administration now takes money from any states, or increases the amount of state money that is "at risk" based on future behavior, will send a strong message to states as a whole that the Administration is ratcheting up the pressure on error rates. Even if only a handful of states feel this pressure directly, the vast majority of states

more sense than incorporating rewards for other positive state activities such as simplified application forms, reduced paperwork burdens for the working poor, outreach campaigns, and nutrition education programs. Indeed, giving states a financial incentive to undertake some of these activities may make more sense than giving them an additional incentive for claims collections beyond the bounty they already receive. But incorporating adjustments for any of these activities, including claims collection, would be subject to legitimate attack as distorting QC from the payment accuracy mission it is best suited to pursue.

A QC adjustment for claims collection also would raise equity concerns. It would have the effect of raising the financial bounty states receive on their collections, but only for states facing with high enough error rates to be facing QC sanctions. Rewarding the same activity more richly in states with payment accuracy problems than in other states would be a perverse way to treat states that have achieved low error rates.

whose error rates hover relatively close to the national average¹¹ will feel a new sense of urgency to drive down their error rates, whether by improved management, eliminating potentially error-prone cases, or obtaining waivers from error-prone aspects of the Program's rules. In addition, if the Administration dramatically increases the pressure on QC for the second time in a few years, states will expect that USDA will tighten the screws on them further next year or the year after. This fear is likely to cause an even more intense reaction than the specifics of the new sanction policy might otherwise dictate.

States will have some justification in protesting a decision to increase the severity of fiscal penalties retroactively for years that have been completed. Ordinarily, the federal government informs those dealing with it in advance of the consequences for various kinds of behavior. This allows entities to calibrate their actions based on the penalties they face. Rightly or wrongly, when states operated the Food Stamp Program in 1998 – and in the fiscal year now drawing to a close – they were operating under a QC system based primarily on waivers and reinvestment of sanctions. To increase the severity of those penalties retroactively, with a state having a given error rate in 1998 treated more severely than another state that had the same error rate in a prior year – would be inequitable, given that states were not notified of such a change in policy in advance. (Even if one personally disagrees on this equity question, there can be little doubt that this would be regarded as inequitable by the states.) Arbitrariness of this kind can poison federal-state relations. Moreover, intensified sanction pressure on a retroactive basis at this very sensitive point in federal-state relations regarding the food stamp program could go a long way toward persuading states that the Food Stamp Program should be replaced by a block grant when it is reauthorized in 2002, a position toward which an alarming number of states already are beginning to gravitate.

Furthermore, the President's Food Stamp Initiative announced this summer recognized that the current QC system, and existing rules for determining when errors involving working poor families occurred, were fundamentally flawed. It would be ironic – and inconsistent with the President's Initiative – for the Administration now to increase penalties based on error rates derived under the very system the Administration just announced its intention to reform through broader error tolerances and more flexible change reporting options.

To the extent the Administration feels it is important to increase QC pressure on states in the food stamp program – and to move in the opposite direction from the

¹¹ Some 35 states exceeded the national average, and thus were subject to QC penalties, at least once between 1994 and 1998. Eight more were within one percentage point of being sanctioned in at least one year during this period. Thus, over 40 states are likely to see any more aggressive QC policy as threatening to them.

Administration's actions in Medicaid, where the Administration has moved to *reduce* QC pressures — the Administration should do so by increasing penalties *prospectively only*. State liabilities for 1998 and 1999 should be resolved under terms comparable to those used for prior years. Any new, more severe policy should be announced in advance to state commissioners¹² and should apply only for years in which the Administration's new QC policies announced in July are in effect (*i.e.*, any new policy should take effect with respect to error rates for FY 2000 and subsequent years, but not for earlier years). The new policy should not apply to periods for which states have issued food stamps prior to receiving notice of the new, more severe, sanction policy.

To be sure, harsher sanctions have long been permitted under law, and USDA never promised to continue to apply its waiver- and reinvestment-based policy indefinitely. But the Department's virtually uninterrupted policy — spanning more than a decade under three administrations — has been to avoid taking money from states based on QC error rates. States' reliance on this well-established policy was reasonable and appropriate in the context of respectful federal-state relations.

If, however, the Administration does decide to increase the severity of the fiscal penalties imposed on states for prior years, it should be cognizant of the intense effect this retroactive increase is likely to have on states' thinking. It therefore should include in any announcement a pledge to apply the same system for at least the next two years and to announce in advance any future tightening of the fiscal penalties states will face for error rates exceeding the national average.

B. What New Penalties Are Appropriate

When states' performance is measured against the national average error rate, many states inevitably will fail even if most states are operating in a reasonable manner.¹³ New fiscal penalties are not needed to get the attention of states performing close to the national average. The expense and embarrassment of mandatory reinvestment — and the ceaseless pressure of USDA's regional offices — provide more than enough incentive for these states to continue to work to improve their programs. Under the current system, most states with error rates exceeding the national average have worked to

¹² Ideally, the new policy should be promulgated through notice-and-comment rule-making. Given the bottlenecks that have obstructed issuance of food stamp rules to date, we would assume that this is not a viable option. If, however, the Department has indeed been able to eliminate these obstacles through its "reinvention" of the regulatory clearance process, this course would be preferable.

¹³ The irony of this system is shown by the fact that 1996 — the year in which the national average error rate reached its lowest point ever — was the year in which the largest number of states in more than a decade (25) had error rates exceeding the national average. The system found fault with the largest number of states in the year when state performance was the best.

reduce their error rates. The three years of steady decline in the national average error rate in the period leading up to the passage of the 1996 welfare law is proof that the current system provides sufficient incentives to motivate the behavior of the vast majority of states.

Also, penalizing a state merely because its error rate is estimated to exceed the national average attributes a false degree of precision to the QC sampling system. As the National Academy of Sciences pointed out, states' official error rates are only imprecise "point estimates," as indeed, is the national average error rate itself. A significant percentage of states with official error rates that appear to be above the threshold for sanctions will in fact be victims of the vagaries of statistical sampling and have actual performance that is better than average.¹⁴ Imposing fiscal penalties on a state where we have only a 60 percent confidence that its performance truly failed to meet what itself is an excessively broad sanctioning threshold (the national average) seems imprudent.

The existing system also has been effective with most states that experience sudden large surges in their error rates. States with some of the highest error rates in the country a few years ago – Arizona, Indiana, Ohio, and Texas – have brought their error rates down to be among the lowest in the country now, albeit at the cost of dramatic declines in participation. If anything, the existing system may have exerted *too much* pressure on those states so they felt compelled to reduce their error rates faster than was possible without imposing severe barriers on access to the working poor and other eligible families.

If the penalty system is to be changed, the targets should be states whose error rate problems are *both* chronic *and* severe, the small minority that has appeared unfazed by the current penalty structure. More severe fiscal penalties could be imposed on these states when their performance over a series of years demonstrates that milder coercion has failed to get their full attention. This is consistent with the NAS's recommendation that the QC system penalize only the true outliers, whose performance can be said to be severely deficient with a high degree of statistical confidence.

Several formulas could be used to identify such outliers. One possibility is states whose error rates, after the adjustments described above, exceed the national average by more than two percentage points for at least three consecutive years. (Imposing tougher penalties on a state based on two consecutive years of high error rates would

¹⁴ It is little consolation to these states that others with worse-than-average performance are inaccurately reported to have error rates low enough to escape sanctions. In any event, the Food Stamp Act requires all states whose error rates exceed six percent, whether or not they are subject to sanctions, to establish and implement corrective action plans (CAPs).

make little sense because by the time the first year's error rate has been announced at the end of June, it will be too late for the state to implement any policy or operational changes that could impact the fiscal year that is by then three-quarters complete.) Four states whose *unadjusted* error rates exceeded the national average by at least two percentage points in 1996 and 1997 also had *adjusted* error rates (under the formula described above) of more than two percentage points over the national average in 1998: Maryland, Michigan, Washington, and Wisconsin.¹⁵ (Further work would be needed to determine whether these states' *adjusted* error rates were more than two points above the threshold in 1996 and 1997.) Had a policy of sanctioning three-time severe offenders been announced in time to give states fair notice, these states could be subjected to the new fines.

Even here, however, there is no need for excess. Paying *any* fines to the federal government for poor administration of a low-income assistance program is likely to be front-page news in the state's media and intensely embarrassing to the governor and human services commissioner. It should be remembered that USDA has virtually no experience with fining states for QC error rates; no evidence suggests that more than a relatively nominal fine is needed. Using 1998 as a model for how this policy might operate in the future, assessing each three-time serious offenders five percent of their adjusted liabilities would result in penalties for four states ranging from \$43,000 from Washington to \$900,000 from Michigan. There is every reason to believe that these amounts, and the resulting media and legislative inquiries, would be more than adequate to spur the states to quick action. Because USDA almost without exception has not fined states for high error rates in the past, there is no basis for suggesting that more than a token penalty is needed.

Indeed, the money USDA has put at risk from prior years' sanctions already prompted Washington State to impose massive new procedural requirements on households that reduced its food stamp participation by 34.5 percent between January 1997 to September 1998 (as large a decline as the Food Stamp Program nationally has seen from its peak in 1994 to the present). Moreover, Washington has committed a vast share of its state office staff to designing a sweeping waiver proposal that would define away a large portion of its potential errors in future years by standardizing most food stamp deductions and replacing individualized calculations of need with standard benefit amounts for significant parts of its caseload. Fining Washington would be redundant, and any increase in pressure is more likely to lead to further efforts to tighten

¹⁵ Illinois also had unadjusted error rates two percentage points above the national average in 1996 and 1997 and an *unadjusted* error rate two points over the national average for 1998, but this appears to have been in significant part because of the rapidly rising share of working poor families on Illinois's food stamp program and errors resulting from Illinois's efforts to serve legal immigrants who were denied federal food stamps.

access or waive important rules targeting benefits than to improve the state's administration. Most states falling into the "three-time serious offender" category in the future are likely already to be similarly engaged by the time fiscal penalties can be imposed.

C. Setting Performance Targets for Money Held "At-Risk"

Even if the Administration does not take money from states immediately, holding states' penalties "at risk" based on states' ability to meet unrealistic future targets will have much the same effect. Indeed, it would require the Administration to impose penalties on states at a point much closer to the time the Food Stamp Program comes up for reauthorization in 2002 – at about the time states are deciding whether to join a major push to convert the Program to a block grant.

As appealing as it would be to set states' "at risk" targets at the levels one would prefer states to meet, the more responsible course would be to adopt targets that reflect what states actually are likely to be able to achieve through improvements in program management (as opposed to sharp reductions in access or pursuit of waivers). Because, as noted above, states' attempts to lower their error rates drastically have typically been accompanied by substantial access barriers, the interim goals should require only about 1.5 points of improvement each year in a state's adjusted error rate.¹⁶ The goal for the final year should also be reasonably attainable, certainly no lower than an adjusted error rate of 10 percent.¹⁷

States whose adjusted error rates exceed the national average by less than two percentage points – *i.e.*, states with regard to which there is no strong statistical evidence of seriously substandard performance – should not be required to put money at risk at all. Putting money at risk for states whose error rates exceed the national average only modestly is likely to cause these states to disregard the Administration's message on program access and focus only on error reduction (in part by making the program less accessible to error-prone types of households such as the working poor, child

¹⁶ This could be accomplished by subtracting the performance target for the final year from a state's adjusted 1998 error rate and dividing the difference (*i.e.*, the total amount of improvement to be demanded from the state) by 1.5 or 2. The result would be the number of years for which money would be put at risk. The state's interim performance targets would call for making progress in equal increments (*i.e.*, the total amount of error reduction to be achieved divided by the number of years for which money is at risk) during each of the intervening years. States with higher adjusted 1998 error rates would have more years at risk, but because of their larger potential liabilities they nonetheless would still have relatively large amounts at risk in each year.

¹⁷ The national average error rate has never been as low as 9 percent and has been below 9.5 percent only twice in eighteen years. Even if the target is set at 10 percent, the Administration is likely to end up having to take money from several states since not all will be able to achieve that target.

support recipients, immigrant families, and the homeless). These states' liabilities should be resolved through a combination of (1) waivers, (2) productive reinvestment, and (3) corrective action plans specifically tailored to address deficiencies in their programs without resorting to access barriers or waivers.

To focus states on genuine improvements in program administration, the Administration should consider specifying in its settlement agreements that progress toward redeeming "at-risk" moneys should be recognized only if states pass certain minimum standards designed to assure access. These standards should include a steady or rising percentage of working poor households participating, no increase in the use of short certification periods, and no increase in the rate of improper denials and terminations. The Administration also should make clear that these states will not be permitted to define away errors through waivers or the simplified food stamp program.¹⁸ On the other hand, states that make some progress toward their "at-risk" target should get partial forgiveness and the chance to redeem more with further progress: particularly in light of the statistical uncertainty surrounding error rate measurements, states should not face a "cliff" that imposes far more severe penalties based upon tiny increments in measured error rates.

D. Disposing of Moneys "At Risk" from Prior Years

Many of the same considerations should apply to determining how to dispose of moneys being held "at risk" from prior years' QC penalties. In particular, since neither USDA nor the states could fully appreciate the impact welfare reform would have on the Food Stamp Program, the Administration should assess states' success in meeting performance targets using error rates adjusted for the impact of high or increasing shares of households with earnings and for the increased complexity of serving legal immigrants. No state's at-risk money should be forfeit because state encountered difficulty serving these vulnerable populations.

In addition, given the evidence that states achieving sharp reductions in error rates often have done so at the cost of substantially hindering program access, states should not be penalized if they reduced their error rates by at least 1.5 percentage points. States achieving reductions in that range clearly have heard the error reduction message and are taking action to bring their error rates down. Liabilities at risk on condition that the state meet more severe error reduction targets should be placed at risk for future years on the condition that the state continue to make progress.

¹⁸ This could be achieved by providing in the settlement agreement that the performance targets would be adjusted downward to reflect the estimated effect on error rates of any changes in eligibility or benefit calculation rules contained in any waiver or simplified food stamp program a state may obtain.

TABLE 1: Participation and Error Rates Among Working Families

STATE	Households with Earned Income				Households with No Earned Income				Official FY 1998 Error Rate
	Percent of Caseload		Reported Error Rates		Percent of Caseload		Reported Error Rates		
	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	
ALABAMA	29.27%	30.41%	8.45%	8.90%	70.73%	69.59%	4.76%	6.96%	7.67%
ALASKA	25.93%	33.87%	8.55%	13.33%	74.07%	66.13%	4.66%	13.27%	14.19%
ARIZONA	24.62%	30.17%	10.36%	11.02%	75.38%	69.83%	7.22%	3.33%	5.90%
ARKANSAS	27.38%	27.68%	4.93%	5.99%	72.62%	72.32%	4.20%	5.84%	5.96%
CALIFORNIA	23.54%	26.14%	18.74%	16.95%	76.46%	73.86%	6.00%	10.78%	12.52%
COLORADO	27.10%	29.86%	12.36%	15.57%	72.90%	70.14%	4.71%	6.26%	10.69%
CONNECTICUT	14.12%	27.65%	18.39%	13.90%	85.88%	72.35%	8.41%	11.95%	13.13%
DELAWARE	22.30%	26.46%	17.07%	22.85%	77.70%	73.54%	6.21%	8.25%	12.45%
DIST. OF COL.	6.09%	9.17%	20.90%	19.35%	93.91%	90.83%	4.61%	9.18%	10.66%
FLORIDA	21.50%	25.12%	16.14%	22.07%	78.50%	74.88%	7.55%	9.58%	12.94%
GEORGIA	25.55%	28.32%	14.76%	18.56%	74.45%	71.68%	7.82%	11.39%	13.65%
GUAM	20.81%	21.43%	18.47%	19.65%	79.19%	78.57%	8.54%	7.99%	10.32%
HAWAII	15.15%	24.44%	6.13%	5.84%	84.85%	75.56%	3.57%	4.19%	4.82%
IDAHO	32.79%	43.53%	8.69%	12.44%	67.21%	56.47%	4.94%	9.09%	10.45%
ILLINOIS	14.03%	24.50%	14.77%	21.46%	85.97%	75.50%	12.25%	10.52%	14.04%
INDIANA	28.36%	26.60%	15.46%	9.21%	71.64%	73.40%	6.62%	5.67%	6.79%
IOWA	32.86%	36.83%	14.52%	20.08%	67.14%	63.17%	10.75%	9.13%	13.37%
KANSAS	26.87%	27.57%	8.08%	14.70%	73.13%	72.43%	6.58%	9.65%	11.10%
KENTUCKY	21.15%	24.68%	9.08%	10.31%	78.85%	75.32%	4.17%	6.25%	7.40%
LOUISIANA	28.32%	29.86%	9.37%	10.82%	71.68%	70.14%	4.52%	6.19%	7.67%
MAINE	21.41%	19.81%	10.82%	17.36%	78.59%	80.19%	5.86%	8.11%	10.15%
MARYLAND	16.92%	23.40%	26.05%	24.04%	83.08%	76.60%	7.02%	11.74%	15.40%
MASSACHUSETTS	11.99%	14.43%	6.95%	8.52%	88.01%	85.57%	3.72%	6.08%	7.46%
MICHIGAN	26.85%	35.08%	10.28%	19.43%	73.15%	64.92%	9.77%	14.07%	17.67%
MINNESOTA	19.82%	23.42%	8.55%	7.49%	80.18%	76.58%	6.31%	4.26%	5.18%
MISSISSIPPI	25.97%	30.21%	14.38%	8.50%	74.03%	69.79%	8.23%	4.86%	6.01%
MISSOURI	26.00%	22.51%	21.94%	9.09%	74.00%	77.49%	10.13%	7.66%	8.31%
MONTANA	30.09%	34.72%	14.58%	10.48%	69.91%	65.28%	6.21%	5.29%	7.33%
NEBRASKA	34.94%	34.73%	16.12%	21.92%	65.06%	65.27%	8.74%	13.46%	16.69%
NEVADA	19.20%	22.14%	13.72%	18.18%	80.80%	77.86%	8.62%	6.11%	8.88%
NEW HAMPSHIRE	19.50%	26.33%	10.36%	14.85%	80.50%	73.67%	8.53%	7.94%	10.19%
NEW JERSEY	12.91%	13.84%	14.97%	19.13%	87.09%	86.16%	6.16%	10.25%	11.91%
NEW MEXICO	29.90%	30.60%	11.99%	13.62%	70.10%	69.40%	5.94%	8.85%	10.64%
NEW YORK	11.49%	14.89%	6.10%	14.93%	88.51%	85.11%	7.64%	11.98%	12.93%
NORTH CAROLINA	24.49%	29.08%	15.30%	15.50%	75.51%	70.92%	8.37%	8.69%	10.78%

TABLE 1: Participation and Error Rates Among Working Families

STATE	Households with Earned Income				Households with No Earned Income				Official FY 1998 Error Rate
	Percent		Reported		Percent		Reported		
	of Caseload		Error Rates		of Caseload		Error Rates		
	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	
NORTH DAKOTA	33.51%	48.03%	7.01%	13.50%	66.49%	51.97%	5.40%	5.36%	9.36%
OHIO	20.03%	20.90%	25.95%	16.47%	79.97%	79.10%	9.07%	6.84%	9.29%
OKLAHOMA	25.45%	27.59%	16.37%	14.18%	74.55%	72.41%	8.34%	9.15%	10.87%
OREGON	34.36%	33.76%	17.80%	18.80%	65.64%	66.24%	8.13%	11.66%	13.45%
PENNSYLVANIA	18.82%	25.32%	13.42%	16.65%	81.18%	74.68%	8.05%	7.68%	9.85%
RHODE ISLAND	12.73%	17.78%	10.53%	18.03%	87.27%	82.22%	4.33%	4.54%	7.03%
SOUTH CAROLINA	28.11%	25.54%	7.53%	9.50%	71.89%	74.46%	5.61%	6.64%	8.07%
SOUTH DAKOTA	38.62%	40.87%	4.37%	2.17%	61.38%	59.13%	3.20%	2.05%	2.11%
TENNESSEE	23.11%	31.57%	11.40%	10.20%	76.89%	68.43%	7.88%	6.97%	8.74%
TEXAS	32.63%	29.12%	6.62%	7.52%	67.37%	70.88%	5.28%	4.29%	5.27%
UTAH	33.02%	34.19%	13.42%	14.44%	66.98%	65.81%	7.10%	5.98%	9.70%
VERMONT	32.56%	28.03%	14.24%	19.76%	67.44%	71.97%	8.49%	8.01%	13.25%
VIRGIN ISLANDS	36.11%	29.83%	12.31%	8.76%	63.89%	70.17%	4.59%	5.21%	6.56%
VIRGINIA	24.56%	31.69%	22.04%	17.00%	75.44%	68.31%	11.09%	8.57%	11.13%
WASHINGTON	15.21%	20.98%	12.70%	21.55%	84.79%	79.02%	10.12%	11.79%	15.21%
WEST VIRGINIA	24.15%	23.37%	16.70%	16.64%	75.85%	76.63%	9.30%	8.47%	11.39%
WISCONSIN	28.20%	32.41%	12.79%	17.73%	71.80%	67.59%	10.35%	10.29%	14.58%
WYOMING	40.43%	40.37%	10.27%	5.81%	59.57%	59.63%	4.34%	3.68%	4.81%
U.S.	22.54%	25.66%	13.40%	14.93%	77.46%	74.34%	7.37%	8.71%	10.69%

TABLE 2: Error Rate Adjustments for Working Families

STATE	Adjustment for High Share of Households with Earnings	Adjustment for Increasing Share of Households with Earnings	Total Adjustment	Adjusted Error Rate	Initial Official Liabilities	Liabilities Adjusted for Earners	Total Adjustment in Liabilities for Earners	Percentage Adjustment in Liabilities
ALABAMA	0.09%	0.02%	0.12%	7.55%				
ALASKA	0.01%	0.01%	0.01%	14.18%	\$570,064	\$566,672	\$3,392	0.6%
ARIZONA	0.36%	0.45%	0.81%	5.09%				
ARKANSAS	0.00%	0.00%	0.00%	5.96%				
CALIFORNIA	0.03%	0.16%	0.19%	12.33%	\$6,381,443	\$5,100,064	\$1,281,379	20.1%
COLORADO	0.46%	0.30%	0.77%	9.92%				
CONNECTICUT	0.04%	0.28%	0.32%	12.81%	\$897,739	\$679,057	\$218,682	24.4%
DELAWARE	0.12%	0.62%	0.74%	11.71%	\$97,387	\$32,441	\$64,946	66.7%
DIST. OF COL.	0.00%	0.33%	0.33%	10.33%				
FLORIDA	0.00%	0.46%	0.46%	12.48%	\$4,003,351	\$2,541,768	\$1,461,583	36.5%
GEORGIA	0.19%	0.20%	0.40%	13.25%	\$4,411,896	\$3,310,916	\$1,100,980	25.0%
GUAM	0.00%	0.07%	0.07%	10.25%				
HAWAII	0.00%	0.16%	0.16%	4.66%				
IDAHO	0.59%	0.36%	0.95%	9.50%				
ILLINOIS	0.00%	1.22%	1.22%	12.82%	\$8,861,495	\$3,587,965	\$5,273,530	59.5%
INDIANA	0.03%	0.00%	0.03%	6.76%				
IOWA	1.24%	0.44%	1.68%	11.69%	\$735,441	\$101,455	\$633,986	86.2%
KANSAS	0.10%	0.04%	0.13%	10.97%	\$13,018	\$5,966	\$7,052	54.2%
KENTUCKY	0.00%	0.15%	0.15%	7.25%				
LOUISIANA	0.20%	0.07%	0.27%	7.40%				
MAINE	0.00%	0.00%	0.00%	10.15%				
MARYLAND	0.00%	0.84%	0.84%	14.56%	\$5,846,661	\$3,948,408	\$1,898,253	32.5%
MASSACHUSETTS	0.00%	0.07%	0.07%	7.39%				
MICHIGAN	0.56%	0.49%	1.05%	16.62%	\$26,820,117	\$19,371,402	\$7,448,715	27.8%
MINNESOTA	0.00%	0.12%	0.12%	5.06%				
MISSISSIPPI	0.17%	0.16%	0.32%	5.69%				
MISSOURI	0.00%	0.00%	0.00%	8.31%				
MONTANA	0.49%	0.25%	0.73%	6.60%				
NEBRASKA	0.78%	0.00%	0.78%	15.91%	\$2,281,180	\$1,726,406	\$554,774	24.3%
NEVADA	0.00%	0.36%	0.36%	8.52%				
NEW HAMPSHIRE	0.05%	0.49%	0.54%	9.65%				
NEW JERSEY	0.00%	0.09%	0.09%	11.82%	\$534,114	\$461,739	\$72,375	13.6%
NEW MEXICO	0.24%	0.03%	0.28%	10.36%				
NEW YORK	0.00%	0.10%	0.10%	12.83%	\$6,980,940	\$6,345,454	\$635,486	9.1%
NORTH CAROLINA	0.24%	0.32%	0.55%	10.23%	\$3,191	\$0	\$3,191	100.0%

TABLE 2: Error Rate Adjustments for Working Families

STATE	Adjustment for High Share of Households with Earnings	Adjustment for Increasing Share of Households with Earnings	Total Adjustment	Adjusted Error Rate	Initial Official Liabilities	Liabilities Adjusted for Earners	Total Adjustment in Liabilities for Earners	Percentage Adjustment in Liabilities
NORTH DAKOTA	1.84%	1.19%	3.03%	6.33%				
OHIO	0.00%	0.09%	0.09%	9.20%				
OKLAHOMA	0.10%	0.11%	0.21%	10.66%	\$6,998	\$0	\$6,998	100.0%
OREGON	0.55%	0.00%	0.55%	12.90%	\$1,408,931	\$901,167	\$507,764	36.0%
PENNSYLVANIA	0.00%	0.58%	0.58%	9.27%				
RHODE ISLAND	0.00%	0.69%	0.69%	6.34%				
SOUTH CAROLINA	0.00%	0.00%	0.00%	8.07%				
SOUTH DAKOTA	0.02%	0.00%	0.02%	2.09%				
TENNESSEE	0.21%	0.30%	0.51%	8.23%				
TEXAS	0.11%	0.00%	0.11%	5.16%				
UTAH	0.79%	0.11%	0.90%	8.80%				
VERMONT	0.33%	0.00%	0.33%	12.92%	\$206,958	\$157,578	\$49,380	23.9%
VIRGIN ISLANDS	0.15%	0.00%	0.15%	6.41%				
VIRGINIA	0.50%	0.60%	1.10%	10.03%	\$55,574	\$0	\$55,574	100.0%
WASHINGTON	0.00%	0.62%	0.62%	14.59%	\$6,103,713	\$4,547,094	\$1,556,619	25.5%
WEST VIRGINIA	0.00%	0.00%	0.00%	11.39%	\$102,793	\$102,793	(\$0)	-0.0%
WISCONSIN	0.58%	0.36%	0.94%	13.64%	\$1,841,666	\$1,061,963	\$779,703	42.3%
WYOMING	0.33%	0.00%	0.33%	4.48%				
U.S.					\$78,164,679	\$54,550,307	\$23,614,372	30.2%

TABLE 3: Participation and Error Rates in Immigrant Households

STATE	Immigrant Households				Non-Immigrant Households				State FS Replacement Program FY 1998	Official FY 1998 Error Rate
	Percent of Caseload		Reported Rates		Percent of Caseload		Reported Rates			
	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998		
ALABAMA	0.28%	0.18%	0.00%	0.00%	99.72%	99.82%	5.86%	7.56%	--	7.67%
ALASKA	4.94%	2.92%	0.21%	24.66%	95.06%	97.08%	5.95%	12.95%	--	14.19%
ARIZONA	19.41%	16.35%	11.06%	7.22%	80.59%	83.65%	7.25%	5.34%	--	5.90%
ARKANSAS	1.01%	0.25%	4.00%	17.80%	98.99%	99.75%	4.40%	5.85%	--	5.96%
CALIFORNIA	36.11%	34.88%	10.86%	15.97%	63.89%	65.12%	7.95%	10.47%	Full	12.52%
COLORADO	9.80%	7.20%	6.86%	19.13%	90.20%	92.80%	6.77%	8.26%	--	10.69%
CONNECTICUT	8.00%	4.80%	13.05%	24.80%	92.00%	95.20%	9.54%	11.87%	Full	13.13%
DELAWARE	1.99%	1.95%	11.82%	3.21%	98.01%	98.05%	8.57%	12.29%	--	12.45%
DIST. OF COL.	3.04%	2.78%	13.82%	5.19%	96.96%	97.22%	5.34%	10.25%	--	10.66%
FLORIDA	22.93%	12.76%	12.98%	18.46%	77.07%	87.24%	8.33%	11.88%	Partial	12.94%
GEORGIA	2.63%	2.28%	10.51%	10.59%	97.37%	97.72%	9.57%	13.49%	--	13.65%
GUAM	30.12%	19.84%	11.41%	18.53%	69.88%	80.16%	10.27%	8.50%	--	10.32%
HAWAII	11.47%	6.76%	6.11%	9.51%	88.53%	93.24%	3.68%	4.23%	--	4.82%
IDAHO	8.27%	4.02%	7.44%	22.18%	91.73%	95.98%	6.06%	10.06%	--	10.45%
ILLINOIS	9.04%	5.37%	16.96%	27.62%	90.96%	94.63%	12.17%	12.38%	Partial	14.04%
INDIANA	1.72%	1.60%	8.50%	7.20%	98.28%	98.40%	9.14%	6.60%	--	6.79%
IOWA	2.86%	3.39%	12.77%	24.63%	97.14%	96.61%	11.97%	12.76%	--	13.37%
KANSAS	4.10%	3.50%	8.37%	15.46%	95.90%	96.50%	6.92%	10.88%	--	11.10%
KENTUCKY	0.68%	0.29%	0.00%	0.00%	99.32%	99.71%	5.25%	7.27%	--	7.40%
LOUISIANA	1.67%	0.66%	7.09%	39.44%	98.33%	99.34%	5.87%	7.36%	--	7.67%
MAINE	1.30%	1.53%	14.30%	6.49%	98.70%	98.47%	6.82%	9.99%	Full	10.15%
MARYLAND	5.95%	3.88%	17.46%	11.17%	94.05%	96.12%	9.78%	14.76%	Partial	15.40%
MASSACHUSETTS	15.97%	10.99%	5.07%	13.98%	84.03%	89.01%	3.93%	5.50%	Full	7.46%
MICHIGAN	2.74%	2.72%	5.55%	20.55%	97.26%	97.28%	10.03%	15.82%	--	17.67%
MINNESOTA	11.94%	9.40%	4.29%	7.50%	88.06%	90.60%	7.08%	4.76%	Full	5.18%
MISSISSIPPI	0.58%	0.40%	19.31%	0.00%	99.42%	99.60%	9.77%	5.98%	--	6.01%
MISSOURI	1.36%	1.48%	30.00%	18.24%	98.64%	98.52%	12.97%	7.83%	Partial	8.31%
MONTANA	0.93%	1.64%	36.29%	35.60%	99.07%	98.36%	8.47%	6.61%	--	7.33%
NEBRASKA	3.63%	4.94%	13.37%	20.01%	96.37%	95.06%	11.24%	16.21%	Full	16.69%
NEVADA	9.23%	6.11%	9.92%	9.66%	90.77%	93.89%	9.57%	8.72%	--	8.88%
NEW HAMPSHIRE	2.52%	1.12%	1.52%	20.80%	97.48%	98.88%	9.08%	9.63%	--	10.19%
NEW JERSEY	11.38%	8.71%	7.83%	19.43%	88.62%	91.29%	7.23%	10.72%	Partial	11.91%
NEW MEXICO	14.99%	10.45%	10.35%	15.45%	85.01%	89.55%	7.29%	9.71%	--	10.64%
NEW YORK	21.49%	13.15%	11.00%	26.98%	78.51%	86.85%	6.49%	10.22%	Partial	12.93%
NORTH CAROLINA	2.34%	1.77%	20.97%	13.98%	97.66%	98.23%	9.81%	10.61%	--	10.78%

TABLE 3: Participation and Error Rates in Immigrant Households

STATE	Immigrant Households				Non-Immigrant Households				State FS	Official
	Percent of Caseload		Reported Rates		Percent of Caseload		Reported Rates		Replacement	FY 1998
	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	FY 1996	FY 1998	Program FY 1998	Error Rate
NORTH DAKOTA	2.09%	1.57%	7.39%	2.28%	97.91%	98.43%	5.91%	9.38%	--	9.36%
OHIO	2.29%	1.51%	12.70%	19.84%	97.71%	98.49%	12.44%	8.68%	Partial	9.29%
OKLAHOMA	1.24%	1.54%	8.44%	27.94%	98.76%	98.46%	10.40%	10.27%	--	10.87%
OREGON	8.59%	6.14%	15.29%	18.57%	91.41%	93.86%	11.09%	13.78%	--	13.45%
PENNSYLVANIA	3.29%	2.90%	5.63%	14.49%	96.71%	97.10%	9.18%	9.81%	--	9.85%
RHODE ISLAND	16.54%	13.04%	5.36%	5.33%	83.46%	86.96%	5.07%	7.18%	Full	7.03%
SOUTH CAROLINA	0.18%	0.75%	2.84%	7.60%	99.82%	99.25%	6.16%	7.37%	--	8.07%
SOUTH DAKOTA	3.32%	2.45%	0.00%	1.58%	96.68%	97.55%	3.78%	2.11%	--	2.11%
TENNESSEE	0.53%	0.73%	2.85%	23.88%	99.47%	99.27%	8.72%	7.87%	--	8.74%
TEXAS	24.23%	17.35%	4.56%	7.42%	75.77%	82.65%	6.09%	4.77%	Partial	5.27%
UTAH	7.62%	6.20%	10.71%	8.53%	92.38%	93.80%	9.06%	8.89%	--	9.70%
VERMONT	1.68%	3.09%	19.71%	1.90%	98.32%	96.91%	10.20%	11.60%	--	13.25%
VIRGIN ISLANDS	35.07%	12.88%	10.88%	12.34%	64.93%	87.12%	5.49%	5.37%	--	6.56%
VIRGINIA	3.94%	2.61%	19.77%	18.26%	96.06%	97.39%	13.53%	11.05%	--	11.13%
WASHINGTON	14.31%	11.76%	11.62%	22.91%	85.69%	88.24%	10.32%	12.63%	Full	15.21%
WEST VIRGINIA	0.74%	0.25%	7.21%	0.85%	99.26%	99.75%	11.12%	10.40%	--	11.39%
WISCONSIN	6.63%	3.93%	4.83%	19.53%	93.37%	96.07%	11.48%	12.42%	Full	14.58%
WYOMING	3.55%	1.55%	12.71%	26.87%	96.45%	98.45%	6.52%	4.19%	--	4.81%
U.S.	12.72%	9.32%	10.18%	16.57%	87.28%	90.68%	8.52%	9.66%		10.69%

TABLE 4: Error Rate Adjustments for Immigrant Households

STATE	Adjustment for Errors in Immigrant Households	Error Rate After All Adjustments FY 1998	Initial Official Liabilities	Liabilities Adjusted for Earners and Immigrants	Adjustment in Liabilities for Immigrants	Total Adjustment in Liabilities	Percentage Adjustment in Liabilities for Immigrants	Total Percentage Adjustment in Liabilities
ALABAMA	0.00%	7.55%						
ALASKA	0.20%	13.98%	\$570,064	\$503,865	\$62,807	\$66,199	11.0%	11.6%
ARIZONA	1.09%	4.00%						
ARKANSAS	0.02%	5.94%						
CALIFORNIA	2.25%	10.08%	\$6,381,443	\$0	\$5,100,064	\$6,381,443	79.9%	100.0%
COLORADO	0.54%	9.38%						
CONNECTICUT	0.32%	12.49%	\$897,739	\$488,521	\$190,535	\$409,218	21.2%	45.6%
DELAWARE	0.06%	11.64%	\$97,387	\$28,461	\$3,980	\$68,926	4.1%	70.8%
DIST. OF COL.	0.15%	10.18%						
FLORIDA	0.83%	11.65%	\$4,003,351	\$733,048	\$1,808,720	\$3,270,303	45.2%	81.7%
GEORGIA	0.15%	13.11%	\$4,411,896	\$2,939,582	\$371,334	\$1,472,314	8.4%	33.4%
GUAM	1.25%	9.00%						
HAWAII	0.45%	4.21%						
IDAHO	0.25%	9.25%						
ILLINOIS	0.36%	12.46%	\$8,861,495	\$2,465,317	\$1,122,648	\$6,396,178	12.7%	72.2%
INDIANA	0.10%	6.65%						
IOWA	0.22%	11.47%	\$735,441	\$61,580	\$39,875	\$673,861	5.4%	91.6%
KANSAS	0.22%	10.74%	\$13,018	\$217	\$5,750	\$12,801	44.2%	98.3%
KENTUCKY	0.00%	7.25%						
LOUISIANA	0.04%	7.36%						
MAINE	0.10%	10.05%						
MARYLAND	0.26%	14.30%	\$5,846,661	\$3,433,967	\$514,441	\$2,412,694	8.8%	41.3%
MASSACHUSETTS	0.81%	6.58%						
MICHIGAN	0.19%	16.43%	\$26,820,117	\$18,135,231	\$1,236,170	\$8,684,886	4.6%	32.4%
MINNESOTA	0.62%	4.44%						
MISSISSIPPI	0.00%	5.69%						
MISSOURI	0.10%	8.21%						
MONTANA	0.11%	6.49%						
NEBRASKA	0.32%	15.59%	\$2,281,180	\$1,520,601	\$205,804	\$760,579	9.0%	33.3%
NEVADA	0.39%	8.13%						
NEW HAMPSHIRE	0.07%	9.57%						
NEW JERSEY	0.58%	11.25%	\$534,114	\$111,488	\$350,251	\$422,626	65.6%	79.1%
NEW MEXICO	0.69%	9.67%						
NEW YORK	0.87%	11.95%	\$6,980,940	\$2,214,188	\$4,131,266	\$4,766,752	59.2%	68.3%
NORTH CAROLINA	0.11%	10.11%	\$3,191	\$0	\$0	\$3,191	0.0%	100.0%

TABLE 4: Error Rate Adjustments for Immigrant Households

STATE	Adjustment for Errors in Immigrant Households	Error Rate After All Adjustments FY 1998	Initial Official Liabilities	Liabilities Adjusted for Earners and Immigrants	Adjustment in Liabilities for Immigrants	Total Adjustment in Liabilities	Percentage Adjustment in Liabilities for Immigrants	Total Percentage Adjustment in Liabilities
NORTH DAKOTA	0.04%	6.29%						
OHIO	0.10%	9.10%						
OKLAHOMA	0.10%	10.56%	\$6,998	\$0	\$0	\$6,998	0.0%	100.0%
OREGON	0.37%	12.52%	\$1,408,931	\$621,147	\$280,019	\$787,784	19.9%	55.9%
PENNSYLVANIA	0.18%	9.09%						
RHODE ISLAND	0.70%	5.64%						
SOUTH CAROLINA	0.05%	8.02%						
SOUTH DAKOTA	0.04%	2.05%						
TENNESSEE	0.05%	8.18%						
TEXAS	1.12%	4.04%						
UTAH	0.43%	8.37%						
VERMONT	0.07%	12.85%	\$206,958	\$148,015	\$9,563	\$58,943	4.6%	28.5%
VIRGIN ISLANDS	0.86%	5.54%						
VIRGINIA	0.17%	9.87%	\$55,574	\$0	\$0	\$55,574	0.0%	100.0%
WASHINGTON	0.83%	13.77%	\$6,103,713	\$2,826,969	\$1,720,125	\$3,276,744	28.2%	53.7%
WEST VIRGINIA	0.00%	11.39%	\$102,793	\$102,109	\$684	\$684	0.7%	0.7%
WISCONSIN	0.29%	13.36%	\$1,841,666	\$864,936	\$197,027	\$976,730	10.7%	53.0%
WYOMING	0.10%	4.37%						
U.S.	0.62%		\$78,164,679	\$37,199,242	\$17,351,064	\$40,965,428	22.2%	52.4%



U. S. Department of Agriculture


[Search](#) [Site Map](#) [Links](#) [E-Mail Us](#) [FNCS Home](#) [USDA](#)
[About FNS](#)[What's New?](#)[FAQs](#)[Contacts](#)[Contracts & Grants](#)[Research \(OANE\)](#)[Gleaning](#)[FOIA](#)[Y2K](#)

Leaving FSP

Who is Leaving the Food Stamp Program? An Analysis of Caseload Changes from 1994 to 1997

United States Department of Agriculture
Food and Nutrition Service
Office of Analysis, Nutrition, and Evaluation
March 1999

Background

The number of people receiving food stamps fell by over 5.9 million between summer 1994 and summer 1997, with most of the decline occurring in the year between September 1996 and September 1997. ✱ This decline occurred during a period of strong economic growth – unemployment fell, inflation stayed low, and the percentage of Americans living in poverty fell slightly. In the same period, Congress enacted and States implemented sweeping reforms to the Food Stamp Program (FSP) and to the nation's welfare programs.

Some point to the participation decline as proof that the strong economy is lifting all boats, providing job opportunities and higher wages for all, including low-income families. Welfare reform is credited with moving millions of families from dependence on the state to work.

However, others raise more troubling questions. Suppose families are not leaving the safety net for paid employment and self-sufficiency but rather remain poor but without assured access to sufficient food to meet their basic needs? Suppose people leaving welfare remain eligible for food stamps but don't realize that these benefits are still available to them? These critics cite the increased demand for assistance at food pantries and soup kitchens as evidence that declining caseloads are not necessarily a sign of success.

These questions cannot be answered conclusively yet. However, an analysis of food stamp administrative data provides some initial insights into the changes that have occurred in the Food Stamp Program. This analysis examines FSP administrative data from 1994, when FSP caseloads peaked, and 1997, the most recent year when full

data are available. 1997 was a transition year as States replaced the Aid to Families with Dependent Children (AFDC) program with Temporary Assistance for Needy Families (TANF) and when changes to the FSP took effect. Thus this report provides information about caseload changes during the early stages of implementation. This analysis focuses on those groups most affected by welfare reform – single parents, legal immigrants, and unemployed childless adults.

General Trends

As Table 1 shows, three major groups accounted for almost all the drop in the food stamp caseload between 1994 and 1997. The number of legal immigrants fell by 54 percent, accounting for 14 percent of the total decline. The number of childless unemployed adults fell by 44 percent, accounting for 8 percent of the total decline. Finally, the number of families receiving welfare benefits fell by 28 percent. Because this group accounts for such a large share of the FSP caseload, they represented 61 percent of the decline. Only 17 percent of the decline came from other groups, including elderly, the disabled, and households with earnings and no welfare income.

Thus, the steepest declines in participation occurred among legal immigrants and unemployed childless adults, the two groups affected by tough new restrictions under welfare reform. However, most of the reduction occurred among the large group of cash welfare households.

Trends Among Single Parent Families

Among other changes, welfare reform was designed to move families from welfare to work. The Aid to Families with Dependent Program (AFDC), which was an entitlement for needy single parents with children, was replaced by block grants to States to operate the Temporary Assistance to Needy Families (TANF), which was designed to provide short term assistance to help poor families become economically self-sufficient.

As Table 2 shows, the number of single-parent families, the group most affected by welfare reform, fell by 17 percent. Within this group, the number receiving AFDC or TANF benefits fell by 27 percent but the number of those not receiving welfare rose by 9 percent. This suggests that welfare reform has been partially responsible for the drop in welfare caseloads. Had it been solely the strong economy, the number of food stamp households with welfare and without welfare would have both fallen by similar amounts. It also suggests that at least some families that no longer receive welfare continue to receive food stamps.

Among single-parent families, the number of those with earnings rose by 10 percent. And while the number of single-parents receiving AFDC or TANF benefits fell overall, the number of those who

combined welfare with work also rose by 9 percent. This points to an increased reliance on work among single parents.

However, it is important to note that the number of single-parent households with no income from either welfare or work also rose by 9 percent. Also, the number of single-parent food stamp households receiving welfare dropped by nearly 900,000, while the number not receiving welfare rose by only 120,000. Because we only have data on food stamp participants, we don't know whether the households leaving both welfare and food stamps found jobs and are economically independent, or are unemployed and in need.

Trends Among Legal Immigrants

Welfare reform legislation made most legal immigrants ineligible for food stamps. Those who were participating at the time the law went into effect could participate until September 1997. New applicants became ineligible starting October 1996.

In 1994, nearly 1.5 million legal immigrants received food stamps. This number dropped sharply after welfare reform was enacted. The number of legal immigrants receiving food stamps declined steadily throughout late 1996 and most of 1997 (Figure 1). The decline was gradual throughout the year, rather than falling sharply between August and September 1997. This indicates that as current immigrants left the program, they were not replaced by new immigrant participants.

Restrictions on participation by legal immigrants appear to have deterred participation by their children, many of whom retained their eligibility for food stamps. Participation among U.S. born children living with their legal immigrant parents fell faster than participation among children living with native-born parents (Table 3). The number of children living with legal immigrants fell by 37 percent, versus 15 percent for children living with native-born parents.

The number of naturalized citizens receiving food stamps rose by 173,000 between 1994 and 1997, an increase of 66 percent (Table 4). This reflects the surge in naturalizations starting in 1993.

Trends Among Childless Unemployed Adults

Welfare reform restricted most childless unemployed adults to no more than three months of food stamps in a 36-month period, unless they were employed or participating in qualified work programs. Many parts of the country were exempt from the work requirement and time limit, due to waivers granted to areas with high unemployment rates or insufficient jobs.

As expected, the number of unemployed childless adults fell by 476,000, a drop of one third, between August 1996 and September

1997 (Figure 2). This decline was sharpest in the period between January and March, 1997, as States implemented the time limits.

Trends Among the Elderly

The number of households with aged members dropped by 86,000 from 1994 to 1997, a decline of less than five percent. Over time, the number of elderly receiving benefits is very steady, while the share of the caseload that they represent fluctuates. During periods of caseload expansion, elderly households represent a declining share of the food stamp population. During periods of caseload decline, they represent a larger share.

Changes in Ethnic/Racial Composition

Some have raised a concern that those finding work and leaving welfare are predominantly non-Hispanic whites, leaving the welfare caseload even more disproportionately minority. The data do not support this claim. The racial composition of the food stamp caseload as a whole is virtually unchanged between 1994 and 1997 (Figure 3), despite steep drops in participation overall.

The same is true for AFDC/TANF recipients. Whites left the food Stamp Program and welfare at the same rate as minorities. The number of whites receiving welfare and food stamps between 1994 and 1997 fell by 32 percent, compared to a 31 percent drop for African Americans and a 27 percent drop for Hispanics. As a result, the caseload composition is very similar for both years.

The one group where the racial/ethnic composition did change significantly is the unemployed childless adult group subject to time limits. While the proportion of blacks in this group remained unchanged between 1994 and 1997, the proportion of whites fell, while the proportion of Hispanics doubled. However, this is a relatively small group that may be heavily affected by State waiver policy.

About the Data

The data come from Food Stamp Quality Control records. The cases are derived from State samples of caseloads pulled each month for a review on payment accuracy. Records from all States for all months during a fiscal year are combined into one file. Each year, there are about 50,000 households represented in the data. The files are then edited for consistency and weights are assigned.

We analyzed data from two years -- 1994, the year participation peaked; and 1997, the most recent year that we have complete data.

Limitations of the Analysis

The analysis compares snapshots of the food stamp population at different points in time. It does not follow individuals or families over a course of time, showing their movements on and off jobs, welfare, or food stamps. Nor does this analysis provide any information about low-income households not receiving food stamps, including former participants.

This report was prepared by Jenny Genser, Office of Analysis, Nutrition, and Evaluation, based on data prepared by Scott Cody and Laura Castner of Mathematica Policy Research, Inc. The information presented in this report is based on data collected by Food Stamp Program Quality Control data for fiscal years 1994 and 1997.

TABLE 1

Participation Changes from 1994 to 1997
(in thousands)

	Participants: Summer 1994	Participants: Summer 1997	Participation Change	Percent Change	Share of Decline
Legal Permanent Residents	1,537	706	-831	54 %	14 %
Childless Unemployed Adults	1,148	648	-500	-44 %	8 %
AFDC/TANF Participants	13,052	9,442	-3,610	-28 %	61 %
All Other Participants	11,697	10,707	-990	-8 %	17 %
TOTAL	27,434	21,503	-5,931	-22 %	100 %

TABLE 2:**Single Parent Households by Presence of Earnings and Welfare Receipt: 1994 and 1997**

	Households: 1994	Households: 1997	Participation Change	Percent Change
All Single Parents	4,595	3,816	-779	-17 %
With AFDC/TANF	3,319	2,422	-897	-27 %
Without earnings	3,022	2,097	-925	-31 %
With earnings	297	325	28	9 %
Without AFDC/TANF	1,276	1,394	118	9 %
Without earnings	568	614	46	8 %
With earnings	708	780	72	10 %
With earnings	1,005	1,105	100	10 %

FIGURE 1:

Legal Immigrant Participants: August 1996 through September 1997

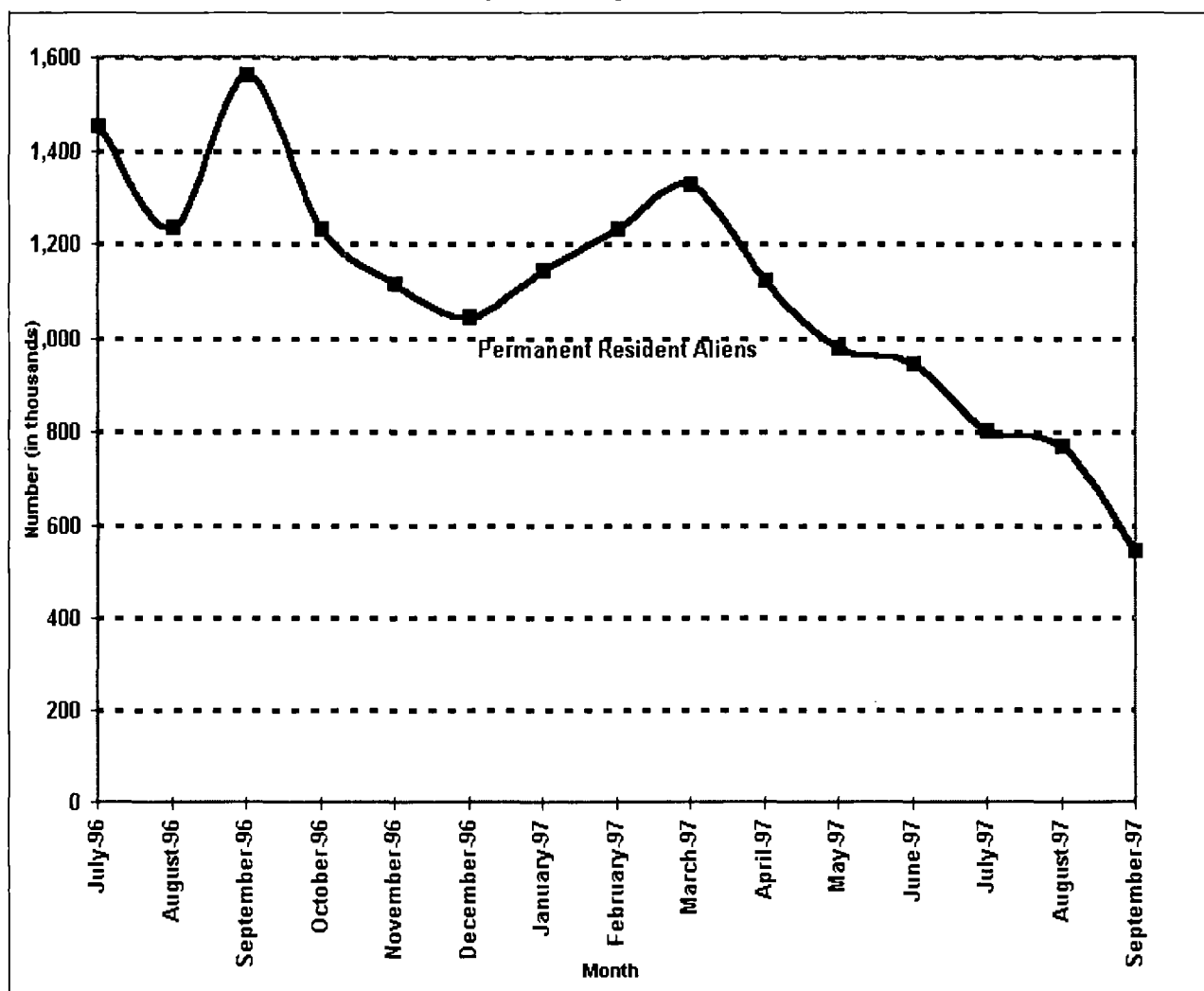


TABLE 3:

**Number of Children Participating by Citizenship Status of Parents:
October 1996 and September 1997
(in thousands)**

	Participants: October 1996	Participants: September 1997	Participation Change	Percent Change
Children Living with Legal Immigrants	1,251	742	434	37 %
Children Not Living with Legal Immigrants	11,034	9,804	1,682	15 %

TABLE 4:

**Number of Legal Immigrants by Status: 1994 and 1997
(in thousands)**

	Participants: 1994	Participants: 1997	Participation Change	Percent Change
Permanent Resident Aliens	1,453	547	-906	- 62 %
Refugees	359	235	-104	- 31 %
Naturalized Citizens	264	437	+173	66 %
All Legal Immigrants	2,056	1,219	-837	- 41 %

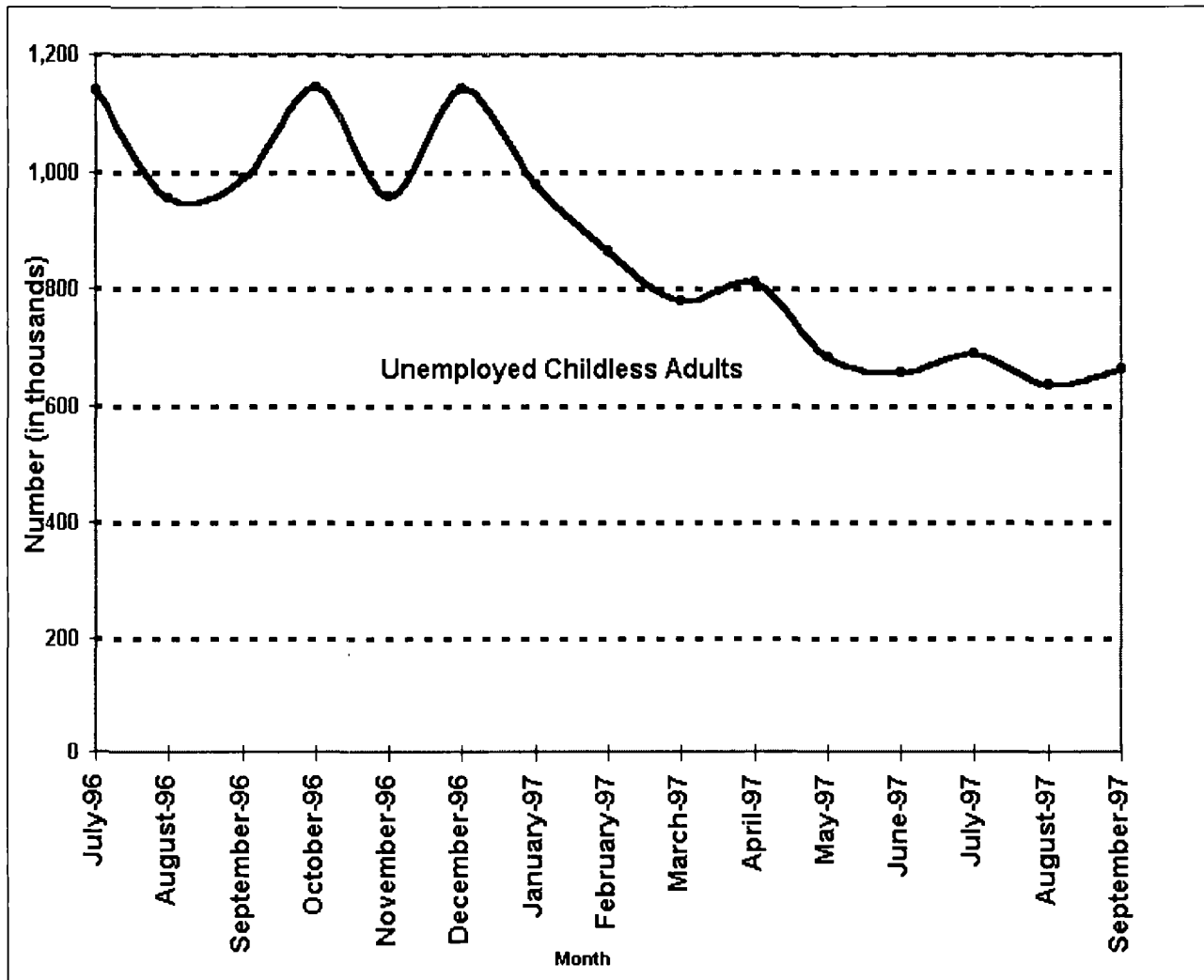
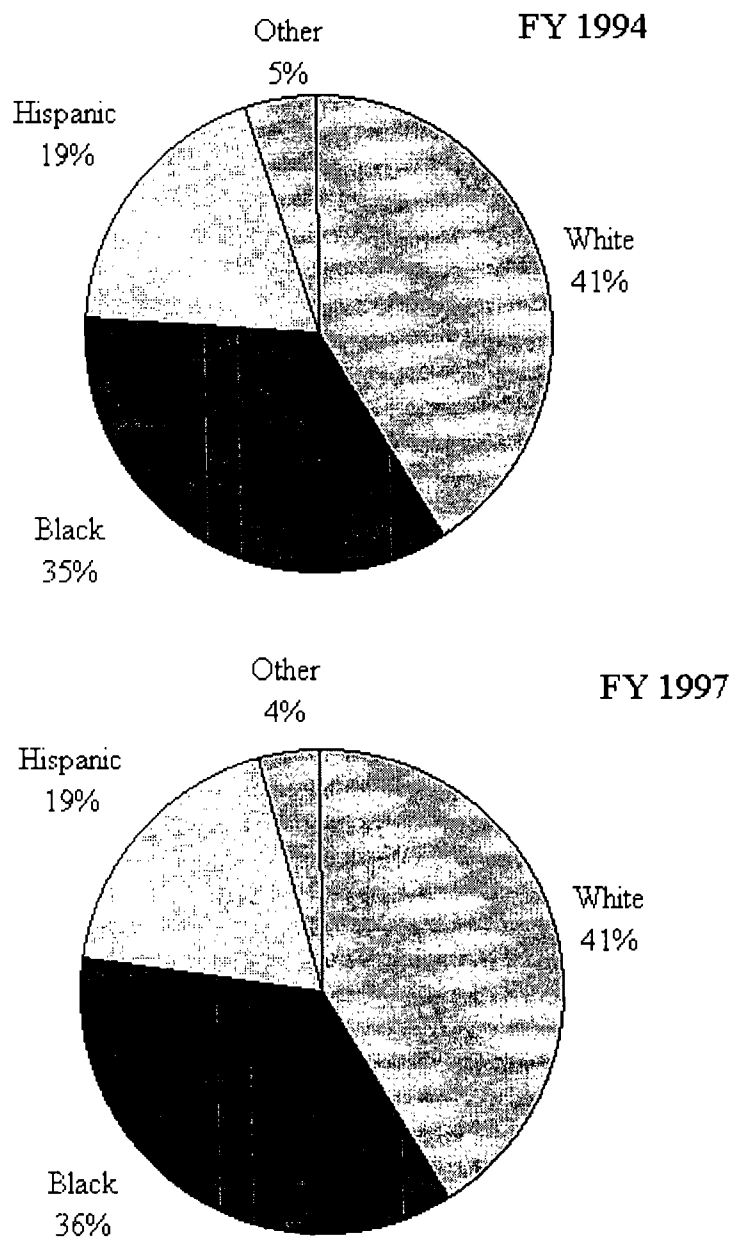
Figure 2:**Childless Unemployed Adults:
August 1996 through September 1997**

Figure 3**Racial Composition of Food Stamp Participants Receiving Welfare: 1994 and 1997**

Last Updated: 05/07/99

Summary - Reaching Those in Need: How Effective is the Food Stamp Program

August, 1998

This pamphlet provides estimates for Food Stamp Program participation rates by States. It will be the first widely-released document showing the percentage of eligible people, by State, who actually participate in the program. Because the data are from January 1994, prior to the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, they provide baseline data on participation rates prior to the enactment of welfare reform.

In January 1994, an estimated 71 percent of eligible people living in the United States received food stamps. However, participation rates varied widely from State to State. Estimated rates ranged from 38 percent in Alaska to 100 percent in Vermont and Maine.

All of the estimated participation rates presented are based on fairly small samples of households in each State, and the uncertainty associated with the estimates for some States is large. Nevertheless, the estimates do show whether a State's participation rate is likely to be high, average, or low.

Looking at the States with the largest food stamp caseloads, Pennsylvania, Michigan, and Ohio had relatively high participation rates (80, 80, and 79 percent respectively). Low-income individuals living in New York, Texas, and Illinois participated at average rates (70 percent). Participation rates were low in Florida and California (at 65 and 57 percent respectively).

In general, participation rates tended to be higher in the mountain regions, the Midwest, and the middle-Atlantic States. Participation rates were lowest in the Western States.

The estimates are derived using a statistical approach known as shrinkage estimation that draws on data from the Current Population Survey, the Survey of Income and Program Participation, the Decennial census, and administrative records. The shrinkage estimator averages direct sample estimates of food stamp eligibles in each State with predictions from a regression model, based on indicators of socio-economic conditions. Shrinkage estimates are substantially more precise than direct sample estimates from the Current Population Survey or the Survey of Income and Program Participation.



U. S. Department of Agriculture

[Search](#) · [Site Map](#) · [Links](#) · [E-Mail Us](#) · [FNS Home](#) · [USDA](#)[About FSP](#)[What's New?](#)[FAQs](#)[Contacts](#)[Applicants &
Recipients](#)[Administration](#)[Retailers](#)

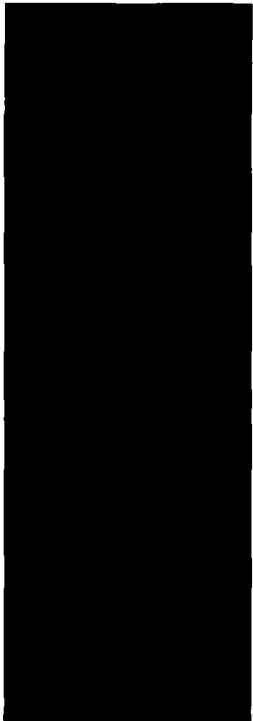
About FSP - Introduction

The purpose of the Food Stamp Program is to end hunger and improve nutrition and health. It helps low-income households buy the food they need for a nutritionally adequate diet. The program is operated by State and local welfare offices, and the Federal Government oversees the State operation of the Program. The program is in operation in the 50 States, the District of Columbia, Guam and the U. S. Virgin Islands.

To be eligible a household must meet certain eligibility standards. A few of them are mentioned below.

- **Income and Resources.** Households must meet income and resource standards. These standards are explained in more detail in [Eligibility](#) and [Benefits](#).
- **Work Requirements.** With some exceptions, able-bodied adults between 16 and 60 must register for work, take part in an employment and training program to which they are referred by the food stamp office, and accept or continue suitable employment. Failure to comply with these requirements can result in disqualification from the Program.

In addition, able-bodied adults between 18 and 50 who do not have any dependent children can get food stamps only for 3 months in a 36-month period if they do not work or participate in a workfare or employment and training program other than job search. Other members of the household may continue to get food stamps even if this person is disqualified. This requirement is waived in some locations.
- **Non-Citizens.** Citizens and certain non-citizens may be eligible. Eligible non-citizens include refugees, asylees and deportees for a period of 7 years after they enter the country or their status is granted, certain battered individuals, and individuals admitted for lawful permanent residence who have a military connection or who can be credited with 40 quarters of work (about 10 years). Refugees, asylees, deportees, battered aliens, and lawful permanent residents may also be eligible if they were lawfully living in the U. S. on August 22, 1996, and were over 65 on that date, are now under 18, or are



receiving disability or blindness payments. In addition, certain Hmong and other Highland Laotians and their spouses and children and foreign-born members of American Indian tribes entitled to cross into Canada and Mexico may also be eligible. The status of non-citizens must be verified.

The amount of benefits an eligible household receives depends on the number of people in the household and the amount of income the household has. For example, a household of three people with no income can receive up to \$329 a month in benefits. Households with income are expected to use about 30 percent of their own money, after certain deduction have been allowed, for food. The average monthly amount of benefits in 1998 was about \$71 a person. The income limits, maximum benefits, and calculation of benefits are explained in more detail in Eligibility and Benefits.

In some areas benefits are issued in the form of paper coupons a household may use to buy food in approved food stores. In other areas, households are issued a debit card that they can use like a credit card in approved stores.

Last Updated: 04/06/99

**U. S. Department of Agriculture**[Search](#) [Site Map](#) [Links](#) [E-Mail Us](#) [FNS Home](#) [USDA](#)[About FSP](#)[What's New?](#)[FAQs](#)[Contacts](#)[Applicants &
Recipients](#)[Administration](#)[Retailers](#)

Resources (Rules on resource limits)

Households may have \$2,000 in countable resources, such as a bank account, or \$3,000 in countable resources if at least one person is age 60 or older. However, certain resources are NOT counted, such as:

- a home and lot,
- the resources of people who receive Supplemental Security Income (SSI),
- the resources of people who receive Aid to Families with Dependent Children (AFDC).

Licensed vehicles are NOT counted if they are:

- used over 50 percent of the time for income-producing purposes,
- annually producing income consistent with their fair market value,
- needed for long distance travel for work (other than daily commute),
- used as the home,
- needed to transport a physically disabled household member, or
- needed to carry most of the household's fuel or water.

For the following licensed vehicles, the fair market value over \$4,650 is counted:

- one per household
- plus vehicles used for work, training, or education to prepare for work, or to seek work in accordance with the food stamp employment and training requirements.

For all other vehicles, the fair market value over \$4,650 or the equity value, whichever is more, is counted as a resource.

Last Updated: 05/03/99



U. S. Department of Agriculture



[Search](#) · [Site Map](#) · [Links](#) · [E-Mail Us](#) · [FNS Home](#) · [USDA](#)

[About FSP](#)

[What's New?](#)

[FAQs](#)

[Contacts](#)

[Applicants &
Recipients](#)

[Administration](#)

[Retailers](#)

Income (Rules on income limits)

Households must meet income tests UNLESS all members are receiving Title IV(TANF), SSI, or in some places general assistance.

Most households must meet both the gross and net income tests, but a household with an elderly person or a person who is receiving certain types of disability payments only has to meet the net income test. Gross income means a household's total, non-excluded income, before any deductions have been made. Net income means gross income minus allowable deductions.

Households, except those noted, that have income over the amounts listed below cannot get food stamps.

- [Income Chart](#)

Last Updated: 05/03/99

**U. S. Department of Agriculture**[Search](#) · [Site Map](#) · [Links](#) · [E-Mail Us](#) · [FNS Home](#) · [USDA](#)[About FSP](#)[What's New?](#)[FAQs](#)[Contacts](#)[Applicants &
Recipients](#)[Administration](#)[Retailers](#)

Deductions (Rules on allowable deductions from income)

As of October 1998, effective through September 1999

Gross income means a household's total, non-excluded income, before any deductions have been made. Net income means gross income minus allowable deductions.

- A 20 percent deduction from earned income
- A standard deduction of \$134 for all households
- A dependent care deduction when needed for work, training, or education--but not more than \$200 for each child under age 2 and not more than \$175 for each other dependent
- Medical expenses for elderly or disabled members which are more than \$35 for the month if they are not paid by insurance or someone else · Legally owed child support payments
- Excess shelter costs which are more than half of the household's income after the other deductions. Allowable costs include the cost of fuel to heat and cook with, electricity, water, the basic fee for one telephone, rent or mortgage payments and taxes on the home. The amount of the shelter deduction cannot be more than \$275 unless one person in the household is elderly or disabled.

Last Updated: 05/03/99

**U. S. Department of Agriculture**[Search](#) [Site Map](#) [Links](#) [E-Mail Us](#) [FNS Home](#) [USDA](#)[About FSP](#)[What's New?](#)[FAQs](#)[Contacts](#)[Applicants &
Recipients](#)[Administration](#)[Retailers](#)**Work and Aliens** (Rules on work, and legal immigrants)**Citizenship/Alien**

U.S. citizens and many noncitizens may be eligible for the program. For example:

- Refugees, asylees, Cubans, Haitians, Amerasians, and persons whose deportation has been withheld may be eligible for 7 years after they enter the U.S. or are granted status.
- Persons legally admitted for permanent residence may be eligible if they have 40 qualifying quarters of Social Security work coverage or they have a U.S. military connection.
- Refugees, asylees, Cubans, Haitians, Amerasians, persons whose deportation has been withheld, parolees, persons legally admitted for permanent residence and battered aliens may be eligible if they were legally living in the U.S. on 8/22/96 and they were 65 on that date or are now receiving disability payments or are under the age of 18.
- Native Americans who cross the Canadian or Mexican borders.
- Certain Hmong and Highland Laotians and their spouses and children.

Even if some members of the household are not eligible, those who are may be able to get food stamps. For more details on food stamp eligibility for immigrants, see [Noncitizen Eligibility and programs](#) States have initiated to provide food assistance to legal immigrants.

Work

With some exceptions, able-bodied adults between 16 and 60 must register for work, accept suitable employment, and take part in an employment and training program to which they are referred by the food stamp office. Failure to comply with these requirements can result in disqualification from the Program. In addition, able-bodied adults between 18 and 50 who do not have any dependent children can get food stamps only for 3 months in a 36-month period if they do not work or participate in a workfare or employment and training program other than job search. This requirement can be waived in some locations.

Last Updated: 05/25/99



U. S. Department of Agriculture



[Search](#) · [Site Map](#) · [Links](#) · [E-Mail Us](#) · [FNS Home](#) · [USDA](#)

[About FSP](#)

[What's New?](#)

[FAQs](#)

[Contacts](#)

[Applicants &
Recipients](#)

[Administration](#)

[Retailers](#)

Benefits

Allotments

As of **October 1998**, for households in the 48 contiguous states and the District of Columbia.

The amount of benefits the household gets is called an allotment. The net monthly income of the household is multiplied by .3, and the result is subtracted from the maximum allotment for the household size to find the household's allotment. This is because food stamp households are expected to spend about 30 percent of their resources on food.

- [Allotment Chart](#)

Benefits are provided from the day the household applies.

For further information, contact your local or State food stamp office. It may be listed in the State or local government pages of the telephone book. Or call your State's food stamp hotline. Most are toll-free numbers.

Last Updated: 05/03/99



U. S. Department of Agriculture


[Search](#) · [Site Map](#) · [Links](#) · [E-Mail Us](#) · [FNS Home](#) · [USDA](#)
[About FSP](#)[What's New?](#)[FAQs](#)[Contacts](#)[Applicants &
Recipients](#)[Administration](#)[Retailers](#)

Allotment Chart

Updated October 1998, effective through September 1999

People in Household	Maximum Monthly Allotment
1	\$125.00
2	\$230.00
3	\$329.00
4	\$419.00
5	\$497.00
6	\$597.00
7	\$659.00
8	\$754.00
Each additional person...	+\$94.00

Last Updated: 04/06/99

500
 157
 157

21824
 150
 179

10:45 9-15-99

signed off on by Shirley
Jubil 5:00 PM 9/15/99Option

1. Reduce the number of States in liability from 22 to 14 and the amount of liability from \$78m to \$17m by crediting claims collections and recognizing the impact of welfare reform. The welfare reform impact would be recognized by reducing each state's error rate by the difference between the national error rate in FY 1996 and the current FY 98 error rate (1.47%).
2. Waive 1/3 of each State's remaining liability and require that a minimum of 65% of the remaining funds be reinvested within 3 years in payment accuracy activities that do not diminish program accessibility. Up to 35% of the remaining funds may be used to improve program access.
3. Continue to hold States to their previous settlement agreements including requirements that they reinvest money for failure to meet performance year targets. But, notify all States that the Department will not exercise its option to collect cash for that failure—it will allow further reinvestment.
4. Notify States now that FY 99 liabilities will be treated in the same manner as the FY 98 settlements.
5. Restate the Department's intention to reinvent the QC system, and the Department's desire to broaden its measures of successful State management.
6. Consistent with our reinvention efforts, the Department intends to hold States harmless from the error rate effects of serving large or increased proportions of earners and/or immigrants in FY 2000.

- Since no money is at-risk, there ^{are} no performance goals in the out years.

22 states

78 million in liability

have 5 of it

7 million to reinvest

→ VSDA - Food stamps
FNS

@ 2:58 Liz Ryan CDF 662-3586 JJ Jones

⑩

Food Stamps

Bob Greenstein + David Super > Letter to Budget for
meeting w/ Doherty, Lyman, Gene Green, + New Freedom

Question on how tough on states > A-B-D fine - some argue
for using poor + immigrants

OMB motivated > Green + Frank

Dept will come back tomorrow

Goals > Admin - serve hungry poor better in Food Stamps
not rely on from state budget every
Adoptive sense to poor + legal immigrants
Stop Food Stamp hangout

Background > Food Stamp > Sanction error rate - possibly
to Sanction

Any State above actual avg rate is
Subject to sanction

1996 - Food Stamp error rate - all the law
FNS will meet w/ welfare workers from
to get error rate down

① Univariate @ resident ② wait collect her
but get a "data room"

SO-SO > Food stamp ~~rate~~ admin cost

NO Rs working

Since '96 error rate goes up 1-2% so
hungry families always have higher error rate

Chrl 6515 Sam Froy 6 More.
914 [207-947-2075] 107/255-374012

① 9:40 Eddie Convent > 6-2074
EOs on discrimination
Fed. Employees
DOJ clerk
504/255-5255 (hr)

Thomson
1003-Executive
1004-2027
Meredith

4:00
11:30-arr
Plural 2 mental states to exist
OPM + EEOC

Lin ⑦ 9:44 Heidi > dinner
Wald-791
Trusty - ① 77-2:30
② meetings
③ children > 12, skip
@ DPL staff

un ② 10:03 Jill Triemer > College Previews + other Jimmy
401-3598

✓ ④ 10:06 Kathy Cule for Neen
M. Vincent
Christ
Neen
Sunlight
Meredith
15,000 women
SP. ...
25- ...
overpriced

⑤ 10:14 Pauline FLOUS
Budget ...
CITIP ent Thes ...
201/652-1887
28- ...
28- ...

⑥ 10:15 Andy
W. d. k. p. i. org
4-5372
6-2004
high ...
new ...
any ...

⑦ 10:56
Meredith
Devin ...

⑧ 10:52 Goodwin → ms to ...
extending every -
205-7845
205-685
0532

Phone Numbers Frequently Used

NAME AND ADDRESS	TELEPHONE
Environ Rate 96 → 98 households early illegal imm 6570 10 before welfare law - attempts - illegal residence some mention of welfare reform legal imm Aug 22nd 1996 → Take more & family, detentions Elzy & 'inhabitable' mentions & family, private care → This is why environ rate drops	
late '96 - late 70s environ rate 15-17%	
Foodstamps - too prescriptive Aug 5th Bob Goodland - Chair & committee → what's the authority (Elzy) as TANF ↓ <u>Reauthorization is 2002</u>	
Dept. must announce by Sept 30th that it will do to Sanction states for error rates Clinton Admin has been tough - push around has gone down	
Tim Harbink paper "Unreliable Food Stamp Program"	Reinst 700% state (under 50-50) for admin costs
Reinstatement & Food Stamp approval	→ Assistance has been to crack down on workers
Reinstatement & Food Stamp approval	WFA state 30% drop is caused in 20 min period 47 states

February 2000	March 2000	April 2000	Week Ending January 2
S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	

NEW YEAR'S DAY OBSERVED		NEW YEAR'S DAY	
THURSDAY, DECEMBER 30	364	FRIDAY, DECEMBER 31	365
7		7	1
7:15		7:15	
7:30		7:30	
7:45		7:45	
8		8	
8:15		8:15	
8:30		8:30	
8:45		8:45	
9		9	
9:15		9:15	
9:30		9:30	
9:45		9:45	
10		10	
10:15		10:15	
10:30		10:30	
10:45		10:45	
11		11	
11:15		11:15	
11:30		11:30	
11:45		11:45	
12		12	
12:15		12:15	
12:30		12:30	
12:45		12:45	
1		1	
1:15		1:15	
1:30		1:30	
1:45		1:45	
2		2	
2:15		2:15	
2:30		2:30	
2:45		2:45	
3		3	
3:15		3:15	
3:30		3:30	
3:45		3:45	
4		4	
4:15		4:15	
4:30		4:30	
4:45		4:45	
5		5	
5:15		5:15	
5:30		5:30	
5:45		5:45	
6		6	
6:15		6:15	
6:30		6:30	
6:45		6:45	
7		7	
7:15		7:15	
7:30		7:30	
7:45		7:45	
		SUNDAY, JANUARY 2	2

July

Shirley Watkins
↓
(papers)
WDA, FNS

States have not changed before
— very funny response to some

Small July MD - DOW, high error rate

allow for a new WDA approval

WDA funds reapplying every 30 days

Small Survey to some → some to get to do

have put a few goals to reinitiate

OMB - adjust so that, finally, have an idea to reinitiate

Shirley → Jack → Barbara, Cynthia

Daniel Sugar

→ If done states to make that clear in error rates

many people in error

more error rate by getting rid of many people in error
(humans)

hold humans for long period of time

What states to the more many times, if have some more any. you

error rate is high → new adjustment for state degree
to work how per a. minutes
like people

M - paying out National avg. → all above → no adjustment
2 separate adjustments now below

Structure for FY98 QC Liability Settlement Proposals

1. Adjustment for Earners and Aliens: Adjust liabilities downward for states who have a disproportionately high number of earners and aliens on their caseload. For example, if the proportion of earners is 20 percent of the national caseload, and earners in a particular state constituted 30 percent of that state's caseload, the extra 10 percent would be treated as if they incurred errors at the state's average error rate, rather than at the (presumably higher) error rate for aliens or earners, respectively. Please provide any ideas FNS may have regarding how to adjust for rising earner and alien caseloads. Ballpark estimate of reduction in liabilities: \$10 million.
2. Adjustment for Errors Caused by \$5 Tolerance. Adjust liabilities downward for states who had a disproportionately high number of errors caused by the \$5 threshold as compared to the national average. Ballpark estimate of reduction in liabilities: \$2 million.
3. Extend Timeline for Meeting Performance Goals. Set performance goals so that State's that are furthest from the final performance goal have more time to get there. Structure settlement proposals so that each state has a goal of lowering its error rate by 1 to 2 percent each year, until it reaches the final goal. Within this framework, please provide a recommendation on the magnitude of the annual reduction required.
4. Direct State Usage of Reinvestment Dollars. Contingent on FNS' OGC interpretation of FNS' authority, direct states to spend reinvestment dollars on activities designed to improve payment accuracy while assuring access for targeted groups, such as earners.
5. Attach Additional Performance Goals to "At-Risk" Dollars. Contingent on FNS' OGC interpretation of FNS' authority, in order to be considered for waiver of "at-risk" dollars, require states to meet goals aimed at improving payment accuracy while assuring access, in addition to meeting an error rate target. Please provide a recommendation for how to deal with FY98 "at-risk" dollars if states fail to meet their future performance goals.
[How much guidance do we need to give states now regarding future treatment of "at-risk" dollars?
6. Restructure Split Between Waived, Reinvested, and At-Risk Dollars. Depending on how much of FY98 liabilities are waived by #1 and #2, consider restructuring the proposed split between waived, reinvested and at-risk dollars.
7. Treatment of Upfront Cash Payments. Do not require repayment of cash upfront in settlement of FY98 liabilities. This settlement proposal does not preclude requiring cash payments from states with at-risk funds from prior year settlements if they failed to meet their FY98 target error rate.

... FY 2000 - we & at one
just not use

Jack should be on board to teach

* Give Jack background info.

Wormy poor & immigrants adjust to the program

Dept. Ten

↳ don't get any at one
some retirement

Should have 10% to

One - small adjustment, less, more at one

Footnotes ① No proposed rules at day // doesn't change
rule to seniors & others

② Unit one rules, 90 days to review, Dept. not giving rules
out

Unit needs to get deal & institutionalized now?

Simple page paper 7 memo to the agency at

Formal allocation



Jennifer Friedman

09/13/99 03:26:33 PM



Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: FY98 QC Liabilities

Attached is a copy of the document that I sent over to FNS.

----- Forwarded by Jennifer Friedman/OMB/EOP on 09/13/99 03:25 PM -----



Jennifer Friedman

09/13/99 03:22:43 PM



Record Type: Record

To: abigail.nichols@fns.usda.gov@INET

cc:

Subject: FY98 QC Liabilities

Attached is an outline listing components that EOP would like to see included in a FY98 QC liabilities settlement proposal. We look forward to hearing your feedback and seeing a proposed settlement that includes these components. Thank you.



98liabilities3.wpd

Message Sent To:

Cynthia A. Rice/OPD/EOP@EOP
J. Eric Gould/OPD/EOP@EOP
Ann O'Leary/OPD/EOP@EOP
Anil Kakani/OMB/EOP@EOP
Zoe M. Neuberger/OMB/EOP@EOP
Jack A. Smalligan/OMB/EOP@EOP

FAX COVER



Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503



To:

Nan O'Leary

Organization:

Fax Number:

2-2878

From:

Jon Friedman

Date/Time:

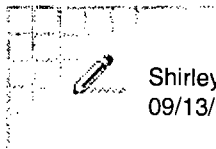
Number of Pages: Cover + 1

Notes:

Here is FNS' 1 pager. I actually
had a chance to talk to Eric &
Cynthia about this today. I can
bring you up to speed on Tuesday
(we can still do it at noon, or earlier, but
no need for a conf. call).

Jon

Income Maintenance Fax Number: (202) 395-0851
Voice Confirmation: (202) 395-4686



Shirley S. Sagawa
09/13/99 02:23:56 PM

Record Type: Record

To: Ann O'Leary/OPD/EOP@EOP

cc:

Subject: Food Stamps

Just got this -- fyi

----- Forwarded by Shirley S. Sagawa/WHO/EOP on 09/13/99 02:23 PM -----



Cynthia A. Rice

09/13/99 01:43:41 PM

Record Type: Non-Record

To: Shirley S. Sagawa/WHO/EOP@EOP

cc:

Subject: Food Stamps

Our meeting with Bob was very helpful, and both we and OMB agree with his views. We're giving some feedback today to USDA on this, and expect them to give us a revised proposal shortly, which we will get to you. Barbara Chow's assistant will put you on the email for the next meeting.

Shirley
↳ Bob Greenstein, Jack the
OMD & USA (like to OMD)
Start & advisory groups
based
black & white groups
is placed them

State & military groups
black & poor groups
is police men

black and gold stripes
is polka dots

side of the issue, fyi:

OMB - Staff working
King in State who
are not in compliance

Security control program
error rates
States w/ high error rates
get closer scrutiny

1. Personnel
 2. Material
 3. Methods
 4. Money
 5. Motivation
 6. Measurement
 7. Management
 8. Marketing
 9. Manufacturing
 10. Maintenance
 11. Materials
 12. Methods
 13. Money
 14. Motivation
 15. Measurement
 16. Management
 17. Marketing
 18. Manufacturing
 19. Maintenance
 20. Materials
 21. Methods
 22. Money
 23. Motivation
 24. Measurement
 25. Management
 26. Marketing
 27. Manufacturing
 28. Maintenance
 29. Materials
 30. Methods
 31. Money
 32. Motivation
 33. Measurement
 34. Management
 35. Marketing
 36. Manufacturing
 37. Maintenance
 38. Materials
 39. Methods
 40. Money
 41. Motivation
 42. Measurement
 43. Management
 44. Marketing
 45. Manufacturing
 46. Maintenance
 47. Materials
 48. Methods
 49. Money
 50. Motivation
 51. Measurement
 52. Management
 53. Marketing
 54. Manufacturing
 55. Maintenance
 56. Materials
 57. Methods
 58. Money
 59. Motivation
 60. Measurement
 61. Management
 62. Marketing
 63. Manufacturing
 64. Maintenance
 65. Materials
 66. Methods
 67. Money
 68. Motivation
 69. Measurement
 70. Management
 71. Marketing
 72. Manufacturing
 73. Maintenance
 74. Materials
 75. Methods
 76. Money
 77. Motivation
 78. Measurement
 79. Management
 80. Marketing
 81. Manufacturing
 82. Maintenance
 83. Materials
 84. Methods
 85. Money
 86. Motivation
 87. Measurement
 88. Management
 89. Marketing
 90. Manufacturing
 91. Maintenance
 92. Materials
 93. Methods
 94. Money
 95. Motivation
 96. Measurement
 97. Management
 98. Marketing
 99. Manufacturing
 100. Maintenance
 101. Materials
 102. Methods
 103. Money
 104. Motivation
 105. Measurement
 106. Management
 107. Marketing
 108. Manufacturing
 109. Maintenance
 110. Materials
 111. Methods
 112. Money
 113. Motivation
 114. Measurement
 115. Management
 116. Marketing
 117. Manufacturing
 118. Maintenance
 119. Materials
 120. Methods
 121. Money
 122. Motivation
 123. Measurement
 124. Management
 125. Marketing
 126. Manufacturing
 127. Maintenance
 128. Materials
 129. Methods
 130. Money
 131. Motivation
 132. Measurement
 133. Management
 134. Marketing
 135. Manufacturing
 136. Maintenance
 137. Materials
 138. Methods
 139. Money
 140. Motivation
 141. Measurement
 142. Management
 143. Marketing
 144. Manufacturing
 145. Maintenance
 146. Materials
 147. Methods
 148. Money
 149. Motivation
 150. Measurement
 151. Management
 152. Marketing
 153. Manufacturing
 154. Maintenance
 155. Materials
 156. Methods
 157. Money
 158. Motivation
 159. Measurement
 160. Management
 161. Marketing
 162. Manufacturing
 163. Maintenance
 164. Materials
 165. Methods
 166. Money
 167. Motivation
 168. Measurement
 169. Management
 170. Marketing
 171. Manufacturing
 172. Maintenance
 173. Materials
 174. Methods
 175. Money
 176. Motivation
 177. Measurement
 178. Management
 179. Marketing
 180. Manufacturing
 181. Maintenance
 182. Materials
 183. Methods
 184. Money
 185. Motivation
 186. Measurement
 187. Management
 188. Marketing
 189. Manufacturing
 190. Maintenance
 191. Materials
 192. Methods
 193. Money
 194. Motivation
 195. Measurement
 196. Management
 197. Marketing
 198. Manufacturing
 199. Maintenance
 200. Materials
 201. Methods
 202. Money
 203. Motivation
 204. Measurement
 205. Management
 206. Marketing
 207. Manufacturing
 208. Maintenance
 209. Materials
 210. Methods
 211. Money
 212. Motivation
 213. Measurement
 214. Management
 215. Marketing
 216. Manufacturing
 217. Maintenance
 218. Materials
 219. Methods
 220. Money
 221. Motivation
 222. Measurement
 223. Management
 224. Marketing
 225. Manufacturing
 226. Maintenance
 227. Materials
 228. Methods
 229. Money
 230. Motivation
 231. Measurement
 232. Management
 233. Marketing
 234. Manufacturing
 235. Maintenance
 236. Materials
 237. Methods
 238. Money
 239. Motivation
 240. Measurement
 241. Management
 242. Marketing
 243. Manufacturing
 244. Maintenance
 245. Materials
 246. Methods
 247. Money
 248. Motivation
 249. Measurement
 250. Management
 251. Marketing
 252. Manufacturing
 253. Maintenance
 254. Materials
 255. Methods
 256. Money
 257. Motivation
 258. Measurement
 259. Management

EOP *Lincolns*
Living for F498
new made state pay history
 C. McGuire/WHO/EOP on 09/10/99 05:35 PM -----
invest in any that can
it peak in imp get
re-invest or return

malte man
Scheitern?
kann man?

W. W. W.

I have Maintenance
 - all vehicle
 - parts
 may be the best person to cover
 meeting next week with Bob
 - nutrition

To: MaryEllen C. McGuire/WHO/EOP@EOP
cc: Ann O'Leary/OPD/EOP@EOP, Ruby Shamir/OPD/EOP@EOP
bcc:
Subject: Re: bob greenstein 

Maryellen, I may be travelling with HRC on Tuesday, but either way, Ann may be the best person to cover this issue -- Ann, is that okay? Ann, see Maryellen's e-mail below about a meeting next week with Bob Greenstein.

Ann, to get up to speed on the issue before the mtg, call Jennifer Friedman at OMB, ext. 57763, (she called me and left a message saying she heard that I was going to get in the middle of this dispute and offered to give some background and context). Call her and say that you will handling the issue for the OFL instead of me. She should be able to send you some paper. You could also touch base with Cynthia Rice or Eric Gould of the DPC, who are handling the issue from here. The basic issue is a dispute over

Zoe Newinger
Wonderful Husband

Sozialistischer Sozialismus
Sozialistischer Sozialismus

Nicole R. Rabner

09/10/99 05:26:39 PM

Record Type: Record

To: MaryEllen C. McGuire/WHO/EOP@EOP
cc: Ann O'Leary/OPD/EOP@EOP, Ruby Shamir/OPD/EOP@EOP
bcc:
Subject: Re: bob greenstein [REDACTED]

Maryellen, I may be travelling with HRC on Tuesday, but either way, Ann may be the best person to cover this issue -- Ann, is that okay? Ann, see Maryellen's e-mail below about a meeting next week with Bob Greenstein.

Ann, to get up to speed on the issue before the mtg, call Jennifer Friedman at OMB, ext. 57763, (she called me and left a message saying she heard that I was going to get in the middle of this dispute and offered to give some background and context). Call her and say that you will handling the issue for the OFL instead of me. She should be able to send you some paper. You could also touch base with Cynthia Rice or Eric Gould of the DPC, who are handling the issue from here. The basic issue is a dispute over the food stamp error rates -- i.e. we the feds monitor the states for compliance with food stamps and if states are out of compliance, they get penalties -- I think there is a significant dispute about certain states. I've attached below some general background that the DPC put out the last time the President spoke about this issue -- about ensuring that eligible families receive food stamps. Greenstein and his staff (and our office prodding) were critical to the development of the initiative described below. Below the background and q&a is Maryellen's e-mail about the meeting.

President Clinton Takes Executive Actions to Help Working Families

July 14, 1999

Today President Clinton will take a series of executive actions to help ensure working families access to food stamps. In a speech to the Democratic Leadership Council, the President will announce three actions to promote work over welfare, by: (1) allowing states to make it easier for working families to own a car and still be eligible for food stamps; (2) simplifying food stamp reporting rules to reduce bureaucracy and encourage work; and (3) launching a nationwide public education campaign and a toll-free hotline to help working families know whether they're eligible for food stamps.

For the past 6 1/2 years, the President has carried out a new approach to help lift people out of poverty, by forging a new social contract that rewards work, family, and responsibility. Along with the Earned Income Tax Credit, Medicaid coverage, and childcare, food stamps are an important support for working families. Families with earnings up to 130 percent of poverty (\$8.50 an hour for a family of three) can be eligible for food stamps to supplement their income and help buy food for their families, but only two of five working families eligible for food stamps actually apply for and receive them. Today the President will take three new executive actions to help working families:

Issue Guidance Making it Easier for Families to Own a Reliable Car and Receive Food Stamps: If we want people to leave welfare and go to work, we need to make sure they can get to work. Because lack of reliable transportation is a major barrier to families finding and keeping a job, the welfare reform law of 1996 allowed states to make it easier for families to own a car and still be eligible for the Temporary Assistance for Needy Families (TANF) program. But until now, states have only been able to use that flexibility to help those receiving cash welfare benefits – while working families receiving in-kind benefits through TANF, such as child care, continued to lose eligibility for food stamps if the value of their car exceeded the food stamp program asset limit of \$4,650. This policy forced many working families to choose between nutritional assistance or a reliable car. Today, the Administration will release new policy guidance to allow states to use their more generous TANF asset test, rather than the Food Stamp Program asset limit, in determining food stamp eligibility for all families eligible for TANF. This will enable working families eligible for in-kind TANF benefits (e.g., childcare, job retention services, on-the-job training) to have a reliable car and still get food stamps. More and more states are using TANF funds to provide non-cash supports for working families to help people who have left welfare stay off the rolls and help families from going on welfare in the first place. The President encouraged states to provide non-cash supports in the final TANF regulation he announced on April 10.

Unveil New Rules Making it Easier for States to Serve Working Families: Current food stamp procedure requires administering agencies to adhere to complex rules on reporting and projecting income, and penalizes states for small errors in projected earnings. But low-income working families often have fluctuating incomes, because their hours of work per week vary or they change jobs frequently. The old rules discourage recipients from going to work and give agencies an enormous burden of paperwork. Now, the Administration will allow states new options to simplify these rules, making it easier for working families to report income and easier for the food stamp program to serve working families. For example, families will now be able to report earnings every quarter instead of every month.

Announce Public Education Campaign and Hotline, and New USDA Food Stamp Toolkit: The President will announce that U.S. Department of Agriculture Secretary Dan Glickman will lead a nationwide food stamp public education campaign to educate working families about food stamps through new informational materials and an enhanced toll-free information line. The Administration will also release a new USDA Food Stamp Toolkit that will provide state, local, and community leaders information about best practices to assist working families and will clearly explain the food stamp law's access requirements.

Food Stamps Q&A July 14, 1998

Today's Announcement

Q: What did the President announce today?

A: In the latest of his actions to reward work over welfare and support working families, today President Clinton took a series of actions to help ensure working families who need them

have access to food stamps. Like child care, the Earned Income Tax Credit, and Medicaid, food stamps are an important support for working families. Families with earnings up to \$8.50 an hour for a family of three can be eligible for food stamps to supplement their income and help buy food for their families, but only 2 out of 5 eligible working families actually get food stamps. Today, in a speech to the Democratic Leadership Council which has long fought along side the President to require work while making work pay, the President took three executive actions to help working families:

New policy guidance making it easier for working families to own a car and still receive food stamps;
New regulations making it easier for states to serve working families by simplifying rules so that families don't have to report income as often and states won't be penalized for small errors in projecting families' future earnings; and

A new public education campaign to educate working families about food stamps, including a toolkit released today to assist local, state, and community leaders in understanding food stamp program requirements as well as model strategies to improve participation and future efforts by Secretary Glickman to include new informational materials and an enhance toll-free information line.

Q: Why is the President taking these actions?

A: Promoting work over welfare has always been a high priority for the President. These actions are the latest in the President's on-going efforts to make work pay, which include: expanding the Earned Income Tax Credit to lower taxes for 15 million working families; raising the minimum wage to \$5.15 an hour and fighting for an additional \$1 per hour increase; adding \$4 billion more in child care and fighting to provide even more; and enacting the \$24 billion Children's Health Insurance Program to extend health care coverage to millions of uninsured children.

Like child care, EITC, and Medicaid, food stamps are an important support for working families. Families with incomes up to 130 percent of the poverty line or \$17,748 for a family of three can be eligible for food stamps, and a typical family of three with a full-time worker earning the minimum wage can get \$220 a month in food stamps. However, food stamp participation among working families has always been low -- only 39 percent of individuals with earnings who are eligible for food stamp benefits receive them, compared to 98 percent among those on cash assistance. With more and more families leaving welfare for work, this low participation rate among working families becomes more important. Increasing access to food stamps for working families will promote work, good nutrition, and health, and will help families stay in the work force and off welfare.

Q: How do you explain the dramatic decline in the food stamp rolls in recent years and will these actions help reverse these trends?

A: There are a number of factors contributing to the decline in food stamp participation, such as:

The strength of the nation's economy allowed participants to find work, reducing their need for food stamps. Food stamps is a highly cyclical program that is very sensitive to economic changes. The success of the Temporary Assistance for Needy Families (TANF) has moved participants from

welfare to work, with an increase in income sufficient to eliminate the need for food stamps.

Working families don't realize they are eligible for food stamps and have difficulty obtaining them leading some participants to leave the program unnecessarily and discouraging others from applying for benefits.

Changes in program rules under welfare reform restricted the participation of immigrants and unemployed childless adults (these changes explain less than 10 percent of the decline).

Today's actions will go a long way to ensuring working families have access to the food stamp program. In addition, two of the President's budget proposals – funding a \$7 million food stamp public education effort at USDA, and restoring food stamp eligibility for legal immigrants in the United States on August 22, 1996 who later become elderly – will also help.

Q: How much do these new initiatives cost and how is the Administration paying for them?

A: Food stamp annual spending in FY 1999 is now projected to be more than \$3.5 billion below the Administration's baseline estimate in the FY 2000 Budget. The number of people receiving food stamps has fallen by 8.7 million since January 1993 and recent food stamp caseload declines have led to significant reductions in food stamp spending.

Some working families are not participating in the Food Stamp Program for reasons in addition to the strength of the economy and the success of welfare reform in moving people from welfare to work. These new initiatives are aimed at addressing this issue and are estimated to result in roughly \$250 million in expenditures over five years that are not included in the food stamp baseline. In the context of significant food stamp caseload declines that go beyond changes in law or in economic assumptions, OMB has determined that, on a one-time basis, these initiatives will not need to include offsets that are generally required for administrative actions in order to ensure cost neutrality.

Q: Aren't the new income reporting policies just a way to allow more fraud and payment errors?

A: Absolutely not. Current rules that focus on reporting small and frequent fluctuations in earned income are burdensome to working families as well as to caseworkers. The actions being taken by the President today simply put in place common sense rules providing states a way to regularly track changes in household circumstances without requiring low income workers to miss time on the job to come into the office for interviews. States will be able to certify working families for longer periods of time while still keeping tabs on major changes in household circumstances. These changes will allow states to better manage the program and improve payment accuracy.

Welfare Reform Update

Q: How is welfare reform going?

A: As a recent General Accounting Office report confirmed, the President's strategy of requiring work and responsibility and rewarding families who have gone to work is paying off. A variety of state research studies summarized by the GAO show that between 61 and 87 percent of adults leaving the welfare rolls are working. At the same time, Census Bureau and HHS data show the percentage of welfare recipients working has tripled since 1992, an estimated 1.5 million people who were on welfare in 1997 were working in 1998, and all states met the first overall work participation rates required under the welfare reform law. Since the President took office in 1993, welfare caseloads have fallen by nearly half, to their lowest level in thirty years, and there has been a dramatic increase in the number of people working. The welfare rolls have fallen by 46 percent since January 1993 (from 14.1 million to 7.6 million) and have fallen by 38 percent since the President signed the welfare reform law in August 1996.

The President started reforming welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996. Since 1996, he has launched the Welfare-to-Work Partnership which now includes over 10,000 businesses that have hired over 410,000 welfare recipients; issued an executive order to ensure the federal government hired its share of welfare recipients -- over 12,000 hired to date; encouraged the launching of the Vice President's Coalition to Sustain Success, a coalition of national civic, service, and faith-based groups are working to help these new workers with the transition to self sufficiency; fought for and won additional funds for welfare to work efforts for long term recipients in high poverty areas (\$3 billion in Department of Labor Welfare-to-Work funds enacted in the Balanced Budget Act), a new tax credit to encourage the hiring of long term recipients, and funding for welfare to work transportation (\$75 million in FY 1999) and welfare to work housing vouchers (50,000 enacted to date); and putting in place new welfare rules (announced April 10th) that make it easier for states to use TANF funds to provide supports for working families such as child care, transportation, and job retention services.

Q: What more does the Administration think should be done to reform welfare?

A: The President's FY 2000 budget includes key initiatives that build on the Administration's continuing efforts to help families move from welfare to work and succeed in the workforce.

First, the FY 2000 budget requests \$1 billion to extend the Welfare-to-Work program to help 200,000 long-term welfare recipients and low-income fathers move into lasting unsubsidized employment. Welfare-to-Work funds are targeted to those individuals who need the most help -- they are focused on hard-to-employ individuals (including long-term welfare recipients with low basic skills, substance abuse or poor work history) and are distributed to states and communities based on concentrations of poverty, welfare dependency, and unemployment.

Second, the budget requests \$430 million for 75,000 welfare-to-work housing vouchers, including \$144 million in new funds for 25,000 additional vouchers, and doubles Access to Jobs transportation funding from \$75 million to \$150 million. The welfare-to-work housing vouchers will help families move closer to a job, reduce a long commute, or secure more stable housing

that will help them get or keep a job. The Job Access grants will provide funds for communities to provide innovative transportation solutions so welfare recipients and other low income workers can get to work.

Third, the President is proposing to extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other groups of job seekers. The budget also proposes to double last year's commitment to Individual Development Accounts, requesting \$20 million to empower low-income families to save for a first home, post-secondary education, or to start a new business.

In addition, the President is proposing significant new funding for child care to help working families meet the cost of child care. Central to his child care initiative is an expansion of the Child Care Block Grant by \$7.5 billion over five years. The President's child care initiative also includes: (1) \$5 billion over five years in greater child care tax relief, (2) \$3 billion over five years in child care quality improvements, (3) a new tax credit for businesses that provide child care services for their workers, and (4) new tax relief for parents who chose to stay at home with their young children. The President hopes that this is the year that Congress addresses the pressing child care needs of America's working families.

Food Stamp Background

Q: Weren't families in New York City being turned away when they applied for food stamps? What has USDA done in New York and elsewhere to ensure families get the food stamps to which they are entitled?

 **A:** The law requires state and local welfare offices to allow families to apply for food stamps during their first visit to the office. USDA has repeatedly notified states of their legal obligations and vigorously investigated complaints about these matters and will pursue administrative and legal action as required. For example, USDA's investigation of Food Stamp Program access problems in New York City resulted in a final report dated February 5, 1999, citing practices and procedures that violated federal law. This report became part of the official record in a related district court case and was the basis for the Department's notice to the State of New York of potential fiscal sanctions that USDA would apply if the State did not correct the deficiencies. After the State failed to implement the necessary changes, USDA issued a formal warning, on April 6, 1999, that Food Stamp administrative costs (\$5,000,000 per quarter) were to be suspended and, if appropriate, disallowed if corrective action was not ensured within thirty days. As a result, New York City has changed its policy to be in compliance. USDA will continue to be vigilant in reviewing practices in New York and other states to ensure that they are in full compliance with the law.

Q: What do data show about hunger in America?

A: New data released today by USDA show that despite a strong economy, hunger still exists in the United States while the level of "food security" among American households has

changed little since 1995. The data show that:

There was virtually no change in the prevalence of food insecurity between 1995 and 1998. Food insecure households were 10.3 percent of all households in 1995 and 10.2 percent in 1998.

More severe food insecurity has declined somewhat. Food insecure households with evidence of hunger were 3.9 percent of all households in 1995 and 3.6 percent in 1998.

Some households are at much greater risk than others. The prevalence of hunger was higher than average among households with children, especially those headed by single women and minorities, and among households with income below the poverty line.

The prevalence of food-insecurity in central cities (14.2%) and rural areas (10.6%) substantially exceeded the suburbs and other metropolitan areas outside central cities (7.6%).

These numbers show that we still have work to do. While most households report that they have enough food, there are still those who do not. Today's announcement is an important step in addressing this problem and ensuring eligible families obtain food stamps.

Q: What is the Administration doing to fight Food Stamp Program fraud and maintain program integrity?

A: USDA is taking a number of steps to improve program integrity and ensuring only those individuals that should receive benefits are receiving benefits.

USDA funds on-going investigations to locate fraud and misuse of funds. Recipients who commit fraud are disqualified from the Food Stamp Program. Disqualification periods range from one year to permanent depending on the number and severity of the offense. Disqualified individuals are tracked through a central registry known as the Disqualified Recipient Subsystem (DRS). As of December 31, 1998, DRS contained data on 720,077 disqualified individuals. In addition, USDA facilitates a variety of computer matches states can use to verify household income.

USDA's aggressive implementation of the Electronic Benefit Transfer (EBT) will also improve program integrity. Currently, over 60 percent of Food Stamp Program benefits in 39 states are being delivered each month by EBT systems. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandates that all States must convert from paper coupon systems to an EBT system before October 1, 2002.

Moreover, USDA has taken strong efforts to ensure retailers allow food stamps to be used only as intended, eliminating violators from the program. As a result of these efforts, the number of stores participating in the Food Stamp Program in FY 1998 has declined by more than 9,000 or 5 percent since 1997 to the current level of 177,000.

Q: How many people receive food stamps and how much does the program cost?

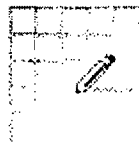
A: In fiscal year (FY) 1998, State agencies issued over \$16.9 billion in food stamp benefits to a monthly average 8.2 million households or 19.8 million people. By April 1999, participation had declined to just over 18 million. Half of all food stamp recipients are

children and 86 percent of households contain either a child, an elderly person, or a person with a disability. About 35 percent of food stamp households with children have earned income. The average monthly benefit is \$71.81 per person or \$170.81 per household.

Q: The press has reported that welfare reform has resulted in a certain "chilling effect" among certain parts of our population, especially immigrants who are eligible for benefits, as a reason for the decline in program utilization. Is that the case with the Food Stamp Program?

A: Some non-citizens and their families may have denied themselves food stamps for fear of facing adverse immigration consequences, such as deportation, for becoming a "public charge". The Administration has taken new steps to address this problem, issuing a regulation on May 25th making clear that food stamps and certain other benefits will not be considered by the Immigration and Naturalization Service or the State Department in determining whether an immigrant is a public charge for purposes of immigration status or entry into the U.S.

MaryEllen C. McGuire

 MaryEllen C. McGuire
09/10/99 04:54:35 PM

Record Type: Record

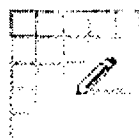
To: Nicole R. Rabner/WHO/EOP@EOP

cc:

Subject: bob greenstein

Nicole - Shirley and MV are meeting with Bob Greenstein on food stamps next week. Can you come? If not, please send Ann or Ruby.

----- Forwarded by MaryEllen C. McGuire/WHO/EOP on 09/10/99 04:54 PM -----

 MaryEllen C. McGuire
09/10/99 04:36:45 PM

Record Type: Record

To: Katharine Button/WHO/EOP@EOP

cc: Shirley S. Sagawa/WHO/EOP@EOP

Subject: bob greenstein

Bob is confirmed for Tuesday at 3:00pm on food stamps. It will be him, Shirley, MV and David Super.

more error prone

Shankar Pluribus Camera

Center $\rightarrow$ 1st items

Outline for how to structure paper

~~Structure~~

Liability issue -

Arts - 1st year & 2nd year

3rd year & 4th year

States who are repeat offenders

do some adjustment of almost hopeless

$\rightarrow$ Regional level

mainly on a level to have any. note have liabilities

- error note

CHARACTERISTICS OF FOOD STAMP HOUSEHOLDS: FISCAL YEAR 1998 (Advance Report)

United States Department of Agriculture
Food and Nutrition Service

Office of Analysis, Nutrition, and Evaluation
July 1999

The FSP is the nation's largest food assistance program. In fiscal year 1998, it served an average of 19.8 million people per month. Over \$16.9 billion was paid out in food stamps that year, with an average benefit of \$71 per person.

Food stamps are made available to most low-income households with few resources to supplement their food purchases and help them maintain a healthy diet. In fiscal year 1998, food stamps were over one-fifth of a participating household's total monthly income (cash plus food stamps). If the value of food stamps were counted in addition to cash as gross income, one-fifth of food stamp households would move from below to above half the poverty line (Figure 1).

I. Composition of Food Stamp Households

In fiscal year 1998, the majority (58.3 percent) of food stamp households contained children (Table 1). Of these households, over two-thirds (67.9 percent) were single-parent homes, fifteen percent were headed by married parents, and six percent of the households had no members over the age of 17. Households with children received an average monthly food stamp benefit of \$232, reflecting their relatively large average size (3.3 persons). Single-parent households (3.1 persons on average) received an average of \$228 in food stamps, and married-couple households with children (4.6 persons on average) received an average of \$273.

Households containing elderly persons represented 18.2 percent of all food stamp households. Over three-quarters of them were single-person households, which received an average monthly benefit of \$43. Households containing elderly and other persons received an average benefit of \$118.

A substantial proportion of food stamp households contained disabled persons (24.4 percent). Of these households, over half (52.9 percent) lived alone, receiving an average benefit of \$49. Households with disabled individuals and others received an average benefit of \$164.

In households without children, elderly, or disabled individuals, over 90 percent lived alone, receiving an average benefit of \$112. The households with multiple adults received an average benefit of \$188.

II. Characteristics of Food Stamp Participants

In fiscal year 1998, slightly over half of all food stamp participants were children, most of whom lived in single-parent households (Figure 2). The remaining participants were nonelderly adults (38.9 percent) or elderly adults—age 60 or older (8.2 percent).

Among adult participants (age 18 or older), women outnumbered men by over two to one (Table 2). Of the children participating, one-third were of preschool age (0 to 4 years), and two-thirds were of school age (5 to 17 years).

FIGURE 1

**POVERTY STATUS OF FOOD STAMP HOUSEHOLDS
WITH AND WITHOUT FOOD STAMPS, 1998**

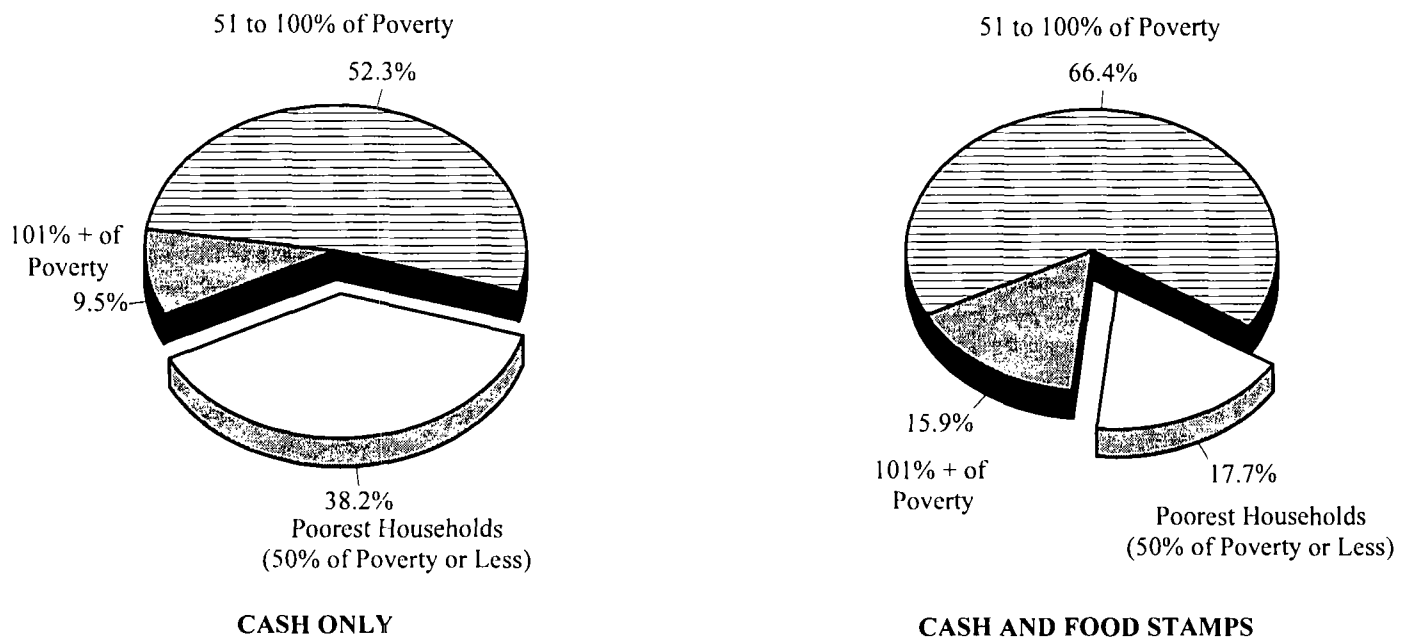
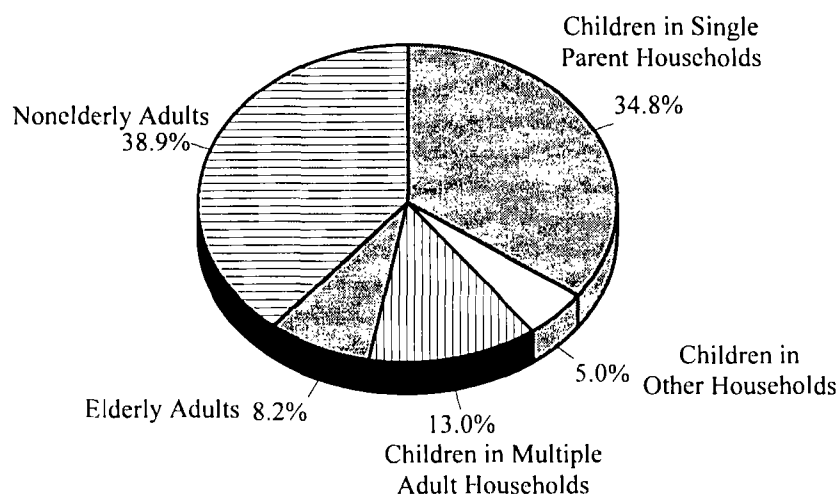


FIGURE 2

DISTRIBUTION OF FOOD STAMP PARTICIPANTS, 1998



Source: 1998 Food Stamp Quality Control sample.

The largest proportion of food stamp participants were white, non-Hispanic (40.1 percent); over one-third were African-American, non-Hispanic (36.3 percent); and slightly less than one-fifth were Hispanic (18.3 percent). The remaining participants were Asian, Native American, or of another race or ethnicity (Table 3).

III. Benefits and Income of Food Stamp Households

The average monthly food stamp benefit in fiscal year 1998 was \$165 per household. The majority (66.2 percent) of food stamp households received monthly benefits of over \$100, and 35.4 percent received over \$200 (Table 4). In fiscal year 1998, 81.8 percent of all benefits went to households with children, and 6.5 percent of all benefits went to households with elderly members (Table 1).

The average monthly gross income of food stamp households was \$584 (Table 5). The majority of households (78.8 percent) received unearned income from one or more of the following sources: Temporary Assistance to Needy Families (TANF), General Assistance (GA), Social Security, Supplemental Security Income (SSI), Unemployment Compensation, or some other payment such as veterans benefits or educational loans. Slightly more than one-fourth of all households (26.3 percent) had earned income. Almost a tenth (8.8 percent) had zero gross income.

IV. Characteristics of Food Stamp Households by State

In fiscal year 1998, almost half of all food stamp households were located in eight states: California, Florida, Illinois, Michigan, New York, Ohio, Pennsylvania, and Texas (Table 6). The average monthly food stamp benefit varied by state, reflecting differences in income, expenses, household size, and composition. Average monthly benefits were largest in Alaska, Hawaii, Guam, and the Virgin Islands because the

maximum allotment is set higher in those areas to accommodate higher costs of living. Within the contiguous United States, food stamp benefits were highest (more than \$195) in Arizona and Texas—two states with above-average household size. Conversely, average monthly food stamp benefits were lowest (less than \$140) in Iowa, Kansas, Maine, New Hampshire, Ohio, Oregon, and Vermont—states with typically above-average gross household income and/or below-average household size.

V. Changes Over Time

The number of persons participating in the FSP grew substantially from 1989 through 1994 and has declined steadily since 1994 (Figure 3). Specifically, the number of food stamp participants grew from 18.9 million persons in 1989 to a record high of 28.0 million in March 1994 and then fell to 18.3 million by February 1999. This is the lowest number of participants since December 1979.

The changes in the level of participation have been accompanied by changes in the composition of the caseload (Table 7). For example, the percentage of participants who are children has risen from 51.0 percent in 1996 to 52.8 percent in 1998. However, the percentage of households with children has declined steadily from 62.2 percent in 1992 to 58.3 percent in 1998. Households with children in 1998 average more children per household than the households with children in 1992.

While the percentage of households with children is decreasing, both the percentage of households with elderly individuals and the percentage of households with disabled individuals are increasing. The proportion of households with elderly has risen from a low of 15.4 percent in 1992 to 18.2 percent in 1998. The proportion of participating households with disabled persons rose from a low of 8.9 percent in 1990 to 12.5

percent in 1994, and from 18.9 percent in 1995 to 24.4 percent in 1998.¹

As the household composition has changed, so have the household size and average benefit. The average household size dropped from 2.5 persons in 1996 to 2.4 persons in 1997 and 1998. The average benefit in nominal dollars in 1996 was \$174, which dropped to \$169 in 1997 and \$165 in 1998. During that time the maximum FSP benefit for a family of three continued to increase from \$313 to \$321.

Economic Changes. Changes in the economy affect participation in the FSP. For example, Figure 3 shows that the surge in FSP participation from 1989 through 1994 was associated with a worsening economy, and the drop in participation since 1994 is tied to an improving economy. Both the number of FSP participants and the number of employed persons are comparable to the numbers in the late 1980s.

Legislative Changes. Changes in legislation also affect participation in the FSP. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (welfare reform) took effect in FY 1997. It disqualified most permanent resident aliens from participation in the FSP, placed time limits on unemployed able-bodied adults without dependents, and replaced the AFDC program with the TANF program. The FY 1997 data provided the first, though still incomplete, picture of food stamp participation following the welfare reform implementation; welfare reform was implemented in stages throughout 1997. Additionally, the Balanced Budget Act of 1997 allowed states to exempt 15 percent of the unemployed able-bodied, childless adults from the time-limits beginning in FY 1998. Thus, the FY 1998 data provide a more complete picture of the changes in participation following implementation of this legislation.

In 1998, Congress passed the Agricultural Research, Extension, and Education Reform Act

which restores eligibility to child, elderly, and disabled permanent resident aliens who were present in the United States when welfare reform was enacted. These individuals were again eligible for participation in the FSP starting on November 1, 1998. The effects of the Agricultural Research Act may be noted in future reports.

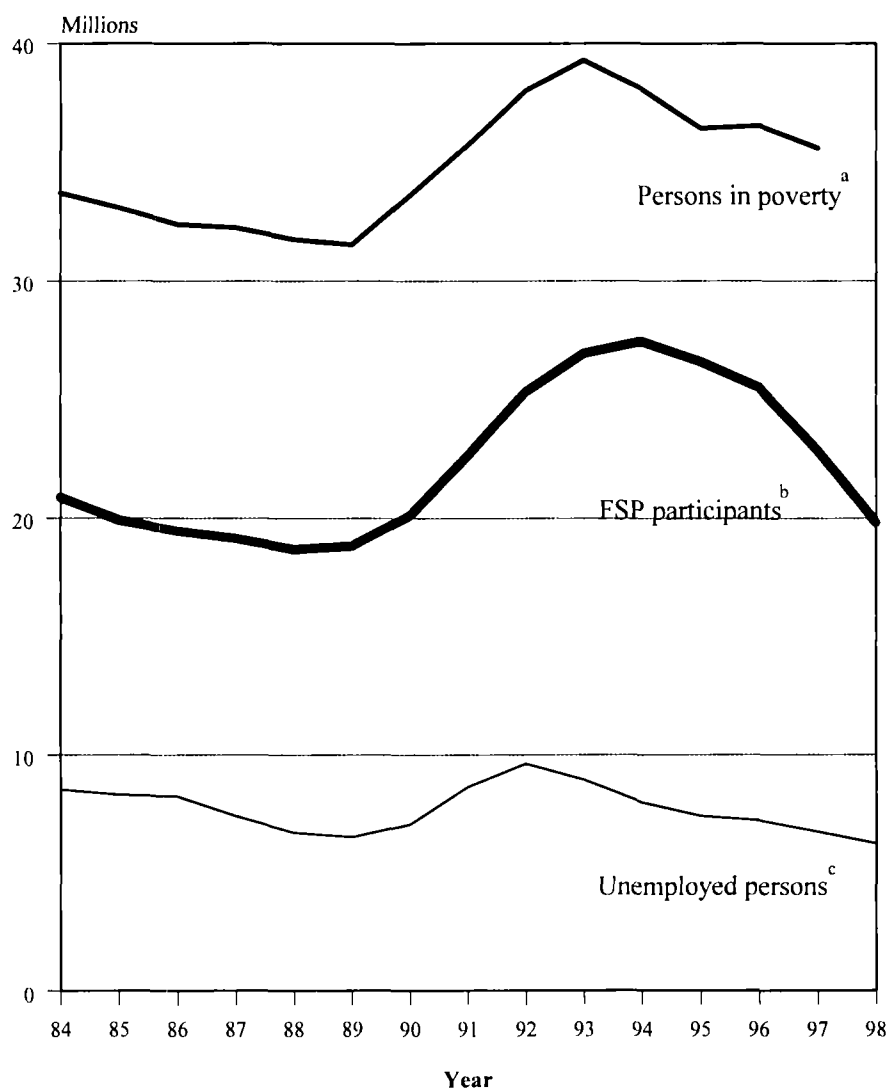
VI. Description of the Food Stamp Program

The FSP is unique among income maintenance programs in two important ways. First, it offers assistance to nearly all financially needy households, regardless of almost any nonfinancial categorical criteria. Second, instead of cash, it provides benefits in the form of coupons or electronic benefits which can be redeemed for food in any of about 180,000 authorized stores across the nation. The cost of providing food stamps to needy persons is funded fully by the federal government. Administrative costs are shared by federal, state, and local governments.

Eligibility. To be eligible for food stamps, a household's assets, gross income, and net income, which is based on gross income less deductions permitted under the FSP, must not exceed specified levels that vary by household size, composition, and location. Most permanent resident aliens are ineligible to join the FSP, and most able-bodied, non-working, childless adults are limited to 3 months of FSP benefits in any 36-month period.

Food Stamp Benefit Computation and Issuance. Benefits are computed by subtracting 30 percent of a household's net income from the maximum benefit amount, which is based on 100 percent of the June cost of the Thrifty Food Plan (TFP) for a family of four, adjusted for household size and location. The TFP is based on the cost of a market basket of food that provides an economical and nutritious diet. In fiscal year 1998, the maximum benefit for a family of four in the contiguous United States was \$408 per month. Program participants receive their monthly

FIGURE 3
FOOD STAMP PROGRAM PARTICIPANTS,
UNEMPLOYED PERSONS, AND POOR PERSONS



^aAnnual values. The number of persons in poverty in Fiscal Year 1998 was not available when this report went to print. Source: Bureau of the Census, Poverty in the United States: 1997, Series P60-201.

^bAverage monthly values. Source: Food and Nutrition Service, Fiscal Years 1984-1998 FSP Participation and Issuance.

^cAverage monthly values. Source: Economic Report of the President, 1999 Table B-36.

benefits through the mail, directly from the local office, or through an electronic benefit transfer (which is similar to a bank card).

VII. Data

The estimates presented here are based on data extracted from the Food Stamp Quality Control System, which is an ongoing review of food stamp households designed to measure the accuracy with which eligibility and benefit determinations are made. All estimates are based on a full-year sample of 47,145 households.

Food and Nutrition Service administrative records indicate that the FSP served 19.8 million persons in fiscal year 1998, and food stamp households received an average benefit of \$171 per month. The figures in the attached tables of 20.0 million participants with an average household benefit of \$165 vary from the administrative figures because they are estimates from the Food Stamp Quality Control sample, which weights data by households rather than persons or benefits. Administrative figures are based on a monthly census of actual FSP participation and benefit issuance.

Notes

¹The 1994-to-1995 increase in the proportion of households with disabled persons is due in part to a change in the definition of households with disabled persons. However, using the old definition, the proportion with disabled still increases from 12.5 percent to 13.3 percent.

Table 1 -- Selected Characteristics of Participating Food Stamp Households, 1998

Household type	Participating households		Average monthly values (dollars)			Average household size (persons)	Percent of Total Benefit Dollars
	Number (thousands)	Percent	Food stamp benefit	Gross income	Net income		
Total	8,246	100.0	165	584	321	2.4	100.0
Children	4,803	58.2	232	672	386	3.3	81.7
Single-parent households	3,264	39.6	228	615	337	3.1	54.6
Married-couple households	712	8.6	273	975	631	4.6	14.2
Other multiple-adult households	363	4.4	264	865	561	4.3	7.0
Children only households	464	5.6	172	457	221	2.2	5.8
Other	3	0.0	307	628	396	4.2	0.1
Elderly	1,500	18.2	59	589	334	1.3	6.5
Living alone	1,184	14.4	43	537	287	1.0	3.8
Not living alone	316	3.8	118	782	508	2.5	2.7
Disabled	2,015	24.4	100	691	420	2.0	14.8
Living alone	1,113	13.5	49	545	269	1.0	4.0
Not living alone	903	10.9	164	870	605	3.3	10.8
Other	980	11.9	119	188	52	1.1	8.6
Single-person	894	10.8	112	165	39	1.0	7.4
Multiple-person	87	1.1	188	427	185	2.2	1.2

Source: 1998 Food Stamp Quality Control sample.

Table 2 -- Gender and Age of Food Stamp Participants, 1998

Age	All participants		Female		Male	
	Number (thousands)	Percent	Number (thousands)	Percent	Number (thousands)	Percent
Total	19,969	100.0	11,967	100.0	7,926	100.0
Children (0-17)	10,546	52.8	5,258	43.9	5,258	66.3
0-4	3,509	17.6	1,759	14.7	1,741	22.0
5-17	7,037	35.2	3,499	29.2	3,517	44.4
Adults (18 or more)	9,409	47.1	6,702	56.0	2,666	33.6
18-35	4,292	21.5	3,261	27.3	1,013	12.8
36-59	3,480	17.4	2,244	18.7	1,223	15.4
60 or more	1,637	8.2	1,197	10.0	430	5.4
Unknown	14	0.1	7	0.1	2	0.0

Source: 1998 Food Stamp Quality Control sample.

Table 3 -- Race/Ethnicity of Food Stamp Participants, 1998

Race	Participants	
	Number (thousands)	Percent
Total	19,969	100.0
White, Non-Hispanic	8,008	40.1
African-American, Non-Hispanic	7,248	36.3
Hispanic	3,652	18.3
Asian	605	3.0
Native American	311	1.6
Other	145	0.7

Source: 1998 Food Stamp Quality Control sample.

Table 4 -- Monthly Food Stamp Benefits of Participating Food Stamp Households, 1998

Monthly food stamp benefit	Participating households	
	Number (thousands)	Percent
Total	8,246	100.0
\$0-50	1,704	20.7
\$51-100	1,084	13.1
\$101-150	1,721	20.9
\$151-200	819	9.9
\$201-250	1,046	12.7
\$251-300	554	6.7
\$301 + ...	1,318	16.0

Source: 1998 Food Stamp Quality Control sample.

Table 5 -- Selected Economic Characteristics of Participating Food Stamp Households, 1998

Income source	Participating households		Persons in households with source		Average income (dollars)		Average food stamp benefit (dollars)	Average household size (persons)
	Number (thousands)	Percent	Number (thousands)	Percent	Gross	From source		
Total	8,246	100.0	19,969	100.0	584	(n/a)	165	2.4
Earned income	2,167	26.3	7,166	35.9	905	723	189	3.3
Wages and salaries	2,047	24.8	6,824	34.2	920	741	188	3.3
Self-employment	111	1.3	345	1.7	679	336	220	3.1
Other earned income	30	0.4	82	0.4	820	437	154	2.7
Unearned income	6,495	78.8	15,399	77.1	607	500	156	2.4
TANF	2,591	31.4	8,442	42.3	605	369	238	3.3
General Assistance	486	5.9	678	3.4	400	236	117	1.4
Supplemental Security Income	2,315	28.1	4,274	21.4	650	372	90	1.8
Social Security	1,924	23.3	3,133	15.7	655	492	74	1.6
Unemployment	130	1.6	411	2.1	760	511	185	3.2
Other unearned income	1,341	16.3	3,792	19.0	705	224	176	2.8
No Income	724	8.8	1,281	6.4	0	0	198	1.8

Source: 1998 Food Stamp Quality Control sample.

Table 6 -- Selected Characteristics of Participating Food Stamp Households by State, 1998

State	Total (thousands)	Percent of all households	Average monthly amount					Average house- hold size (persons)
			Food stamp benefit (dollars)	Gross income (dollars)	Net income (dollars)	Total deduction (dollars)	Countable assets (dollars)	
Total	8,246	100.0	165	584	321	294	118	2.4
Alabama	167	2.0	172	559	312	288	114	2.5
Alaska	14	0.2	258	917	580	401	146	2.9
Arizona	107	1.3	200	569	318	287	131	2.8
Arkansas	101	1.2	164	568	339	266	129	2.5
California	865	10.5	186	613	370	267	118	2.8
Colorado	82	1.0	154	566	292	311	137	2.2
Connecticut	93	1.1	140	590	331	285	134	2.2
Delaware	17	0.2	169	587	314	318	69	2.5
Dist. of Col.	38	0.5	183	380	203	228	15	2.3
Florida	432	5.2	156	566	291	306	174	2.2
Georgia	256	3.1	177	587	329	295	71	2.6
Guam	7	0.1	435	650	295	410	91	3.5
Hawaii	54	0.7	295	661	363	329	235	2.4
Idaho	24	0.3	170	646	379	323	192	2.7
Illinois	393	4.8	164	541	298	273	100	2.3
Indiana	130	1.6	160	566	320	289	191	2.4
Iowa	59	0.7	137	627	381	271	257	2.3
Kansas	53	0.6	136	593	338	284	123	2.2
Kentucky	163	2.0	158	549	340	243	122	2.4
Louisiana	202	2.5	189	551	312	275	91	2.7
Maine	56	0.7	126	614	314	338	144	2.0
Maryland	137	1.7	180	486	244	288	69	2.3
Massachusetts	134	1.6	151	638	338	322	86	2.3
Michigan	330	4.0	159	632	313	349	68	2.4
Minnesota	97	1.2	150	505	305	263	170	2.2
Mississippi	130	1.6	158	609	385	252	183	2.6
Missouri	174	2.1	166	543	306	271	119	2.4
Montana	25	0.3	172	604	288	362	270	2.4
Nebraska	39	0.5	143	663	391	295	203	2.4
Nevada	33	0.4	155	600	305	332	83	2.3
New Hampshire	18	0.2	138	689	369	347	176	2.3
New Jersey	186	2.3	173	542	249	320	42	2.3
New Mexico	65	0.8	182	607	372	268	122	2.8
New York	759	9.2	154	623	280	375	30	2.2
North Carolina	224	2.7	153	581	339	276	134	2.4
North Dakota	14	0.2	147	659	386	302	446	2.4
Ohio	332	4.0	132	591	350	261	156	2.1
Oklahoma	119	1.4	160	567	331	276	93	2.4
Oregon	111	1.3	138	534	295	289	285	2.1
Pennsylvania	400	4.9	145	594	326	296	177	2.2
Rhode Island	33	0.4	143	615	355	276	157	2.3
South Carolina	136	1.6	168	557	339	249	95	2.5
South Dakota	17	0.2	190	603	327	321	239	2.7
Tennessee	232	2.8	156	585	329	284	173	2.4
Texas	602	7.3	197	544	296	285	67	2.7
Utah	35	0.4	177	644	375	306	212	2.7
Vermont	21	0.3	124	676	390	307	189	2.2
Virgin Islands	6	0.1	327	470	285	211	103	3.1
Virginia	171	2.1	155	609	349	290	197	2.4
Washington	161	1.9	154	591	311	311	126	2.3
West Virginia	110	1.3	163	524	317	244	86	2.4
Wisconsin	75	0.9	148	698	433	300	170	2.6
Wyoming	10	0.1	164	607	340	314	296	2.5

Source: 1998 Food Stamp Quality Control sample.

**Table 7 -- Selected Characteristics of Food Stamp Households Over Time
Fiscal Year 1989-Fiscal Year 1998**

Fiscal Year	Total		Children		Elderly		Disabled
	Participants (thousands)	Households (thousands)	Children (percent of all participants)	Households with children (percent of all)	Elderly (percent of all participants)	Households with elderly (percent of all)	Households with disabled (percent of all)
1998	19,969	8,246	52.8	58.3	8.2	18.2	24.4
1997	23,117	9,452	51.4	58.3	7.9	17.6	22.3
1996	25,926	10,552	51.0	59.5	7.3	16.2	20.2
1995	26,955	10,883	51.5	59.7	7.1	16.0	18.9 ^c
1994	28,009	11,091	51.4	61.1	7.0	15.8	12.5
1993	27,595	10,791	51.5	62.1	6.8	15.5	10.7
1992 ^h	25,743	10,049	51.9	62.2	6.6	15.4	9.5
1991 ^h	22,963	8,855	52.0	60.4	7.0	16.4	9.0
1990 ^h	20,411	7,803	49.6	60.3	7.7	18.1	8.9
1989 ^{a,h}	18,925	7,209	49.8	60.4	8.2	19.3	9.1

^aFull year analysis files were not developed for the years prior to 1989.

^hPrior to fiscal year 1993, food stamp cases from Guam and the Virgin Islands were excluded from the analysis files.

^cBeginning In 1995, disabled households are defined as households with at least one member under age 65 who received SSI, or at least one member age 18 to 61 who received Social Security, veterans benefits, or other government benefits as a result of a disability. For years prior to 1995, disabled households are defined as households with SSI but no members over age 59. The substantial increase in the percentage of households with a disabled member between 1994 and 1995 is due in part to the change in the definition of disabled households. Using the previous definition, 13.3 percent of households included a disabled person in fiscal year 1995.

Source: Food Stamp Quality Control samples.

fu: foodstamps



Cynthia A. Rice

09/23/99 09:16:04 PM

Record Type: Non-Record

To: Ann O'Leary/OPD/EOP@EOP

cc: J. Eric Gould/OPD/EOP@EOP

Subject: Ann -- fyi-- here's the weekly we're submitting on food stamps

Food Stamps -- Quality Control Liabilities. As you may recall, the Food Stamp program's Quality Control (QC) system measures the error rate for each state, using a sample of households to determine what proportion were paid too much or too little in benefits. States whose error rates are above the national average are liable to USDA for their losses. While ensuring states do not pay benefits inaccurately is clearly important, efforts to reduce QC errors can often make it more difficult for working families to access food stamps. For example, since fluctuations in wages are major sources of food stamp errors, many states have required families to report income more frequently in order to lower errors, increasing the number of times a working family has to report to the food stamp office. Thus, we have been working with OMB and USDA to ensure QC consequences do not interfere with our efforts to reach working families. Currently, we plan to give states credit, e.g., not hold them liable, for higher errors caused by a higher or growing proportion of their caseload made up of immigrants or wage earners, and for errors that were less than \$25, which would cut states' liability by about two-thirds. States would then be required to reinvest the amount of the remaining liability in activities that reduce errors without restricting access to the program as well as efforts that promote program access. We believe that this plan will not only help ensure families access to the Food Stamp program, but will also quell state resentment about the program which could fuel future efforts to block grant it.

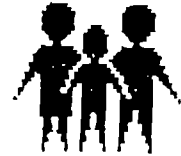
K.U. Harkness

FAX COVER



Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503



To:

Eric, Cynthia, Ann

Organization:

Fax Number:

64731

From:

Jen

Date/Time:

Number of Pages:

Cover ÷

4

Notes:

FY98 DC Liabilities tables.

Income Maintenance Fax Number: (202) 395-0851

Voice Confirmation: (202) 395-4686

ADJUSTMENTS AND SETTLEMENT PROPOSALS: FY 1998 QC LIABILITIES

FNS Proposed Adjustment

1. Re-weighting of reported error rates for earners, allens with no earnings and others with the weight for earners and aliens being the lesser of the FY 96 caseload proportion; the FY 98 caseload proportion or the FY 98 U.S. caseload proportion. This adjustment would reduce liabilities to \$45,870,957; No. of States with liabilities is reduced from 22 to 20: North Carolina and Virginia would no longer be liable. Liabilities against Oklahoma and California would be \$346 and \$1,715.
2. Adjust No. 1 to include a reduction for the \$25 error tolerance for all liability States. The adjustment is based on the percent of errors attributed to eliminating the \$25 errors. This adjustment applies to all States. Liabilities are reduced to \$27,190,838; No. of States with liabilities is reduced from 22 to 16: California, Kansas, North Carolina, Oklahoma, Virginia and West Virginia would no longer be liable.

OMB Modification to FNS Proposed Adjustment

1. Retain No. 1 above.
2. Adjust No 1 as detailed above but apply only to those States who are above the U.S. average reduction by eliminating the \$25 errors. States above the National average rate of reduction would receive the full adjustment while States below the National average rate of reduction would receive no adjustment. Liabilities would be reduced to \$30,426,452; No. of States with liabilities is reduced from 22 to 17: California, Kansas, North Carolina, Oklahoma, Virginia and West Virginia would no longer be liable.

Alternate Modification to FNS Proposed Adjustment

1. Retain No. 1 above.
2. Adjust No 1 as detailed above but apply only to those States who are above the U.S. average reduction by eliminating the \$25 errors. States above the National average rate of reduction would receive credit only for that portion which is above the National average and States below the National average would receive no adjustment. Liabilities would be reduced to \$41,919,421; No. of States with liabilities is reduced from 22 to 18: California, North Carolina, Oklahoma, Virginia would no longer be liable.

9/15/99

FOOD STAMP PROGRAM

Y 1998, RATES RE-WEIGHTED USING LESSER OF FY96, FY98, OR FY98 US AVE FOR EARNINGS AND ALIENS-H
 ERROR RATES, POTENTIAL LIABILITIES & ENHANCED FUNDING

STATE	FY 1997 PAYMENT ERROR RATE	FY 1998 PAYMENT ERROR RATE	POTENTIAL LIABILITIES	ENHANCED FUNDING
CONNECTICUT	9.68	12.67	\$591,154	
MAINE	7.22	10.15		
MASSACHUSETTS	8.16	7.13		
NEW HAMPSHIRE	10.13	9.62		
NEW YORK	10.09	12.01	\$2,424,185	
RHODE ISLAND	7.09	8.31		
VERMONT	9.73	12.86	\$148,704	
DELAWARE	12.65	11.82	\$40,145	
DIST. OF COL.	7.46	10.35		
MARYLAND	12.81	14.53	\$3,886,230	
NEW JERSEY	9.02	11.79	\$434,210	
PENNSYLVANIA	8.73	9.19		
VIRGINIA	12.97	10.39		
VIRGIN ISLANDS	7.35	6.23		
WEST VIRGINIA	11.15	11.39	\$102,793	
ALABAMA	8.65	7.58		
FLORIDA	10.26	12.15	\$1,685,638	
GEORGIA	11.95	13.42	\$3,752,901	
KENTUCKY	5.76	7.24		
MISSISSIPPI	6.99	5.80		
NORTH CAROLINA	10.66	10.35		
SOUTH CAROLINA	6.31	8.04		
TENNESSEE	12.06	8.40		
ILLINOIS	14.31	12.47	\$2,501,828	
INDIANA	9.30	6.75		
MICHIGAN	11.89	17.01	\$21,987,911	
MINNESOTA	6.95	5.01		\$5,056,465
OHIO	11.15	9.19		
WISCONSIN	13.70	13.81	\$1,184,734	
ARKANSAS	5.16	5.96		
LOUISIANA	5.60	7.44		
NEW MEXICO	7.54	10.34		
OKLAHOMA	8.13	10.73	\$346	
TEXAS	6.81	4.87		\$28,203,191
COLORADO	8.56	10.11		
IOWA	9.80	11.85	\$137,783	
KANSAS	7.31	10.99	\$6,970	
MISSOURI	12.89	8.26		
MONTANA	9.19	6.53		
NEBRASKA	12.01	15.72	\$1,603,219	
NORTH DAKOTA	11.03	7.14		
SOUTH DAKOTA	3.04	2.10		\$652,879
UTAH	7.64	8.72		
WYOMING	9.11	4.36		\$557,462
ALASKA	11.82	14.13	\$550,687	
ARIZONA	7.44	5.28		
CALIFORNIA	9.89	10.72	\$1,715	
GUAM	7.01	8.97		
HAWAII	4.48	4.62		\$1,700,458
IDAH0	7.35	9.70		
NEVADA	12.23	8.48		
OREGON	13.00	12.69	\$739,829	
WASHINGTON	14.55	14.39	\$4,089,975	
TOTAL	9.75	10.69	\$45,870,957	\$36,170,455

9/23/99

FOOD STAMP PROGRAM

Y 1996 RATES RE-WEIGHTED USING LESSER OF FY96, FY98, OR FY99 US AVE FOR EARNINGS AND ALIENS-R
 ADJUSTED FOR \$25 TOLERANCE IF OVER U.S. AVERAGE REDUCTION (CREDIT FOR WHOLE AMT)
 ERROR RATES, POTENTIAL LIABILITIES & ENHANCED FUNDING

STATE	FY 1997 PAYMENT ERROR RATE	FY 1998 PAYMENT ERROR RATE	POTENTIAL LIABILITIES	ENHANCED FUNDING
CONNECTICUT	9.68	11.78	\$179,193	
MAINE	7.22	9.33		
MASSACHUSETTS	8.16	7.13		
NEW HAMPSHIRE	10.13	8.23		
NEW YORK	10.09	12.01	\$2,424,185	
RHODE ISLAND	7.09	6.31		
VERMONT	9.73	12.06	\$59,271	
DELAWARE	12.68	11.82	\$40,145	
DIST. OF COL.	7.46	10.35		
MARYLAND	12.81	13.72	\$2,419,643	
NEW JERSEY	9.82	11.79	\$434,210	
PENNSYLVANIA	8.73	8.45		
VIRGINIA	12.97	9.48		
VIRGIN ISLANDS	7.35	6.23		
WEST VIRGINIA	11.15	11.39	\$102,793	
ALABAMA	8.65	7.58		
FLORIDA	10.26	11.39	\$387,495	
GEORGIA	11.08	13.42	\$3,752,901	
KENTUCKY	5.76	7.24		
MISSISSIPPI	6.99	5.80		
NORTH CAROLINA	10.66	9.46		
SOUTH CAROLINA	6.31	8.04		
TENNESSEE	12.05	7.62		
ILLINOIS	14.31	11.62	\$682,941	
INDIANA	9.30	6.75		
MICHIGAN	11.89	16.00	\$15,521,685	
MINNESOTA	6.95	5.01		\$5,056,465
OHIO	11.15	8.21		
WISCONSIN	13.70	13.03	\$666,413	
ARKANSAS	5.16	5.96		
LOUISIANA	5.60	7.44		
NEW MEXICO	7.54	10.34		
OKLAHOMA	8.13	9.77		
TEXAS	6.81	4.87		\$28,203,191
COLORADO	8.56	8.97		
IOWA	9.80	10.91	\$4,956	
KANSAS	7.51	10.09		
MISSOURI	12.59	8.26		
MONTANA	9.19	5.60		
NEBRASKA	12.01	14.73	\$1,034,236	
NORTH DAKOTA	11.03	7.14		
SOUTH DAKOTA	3.04	2.10		\$652,879
UTAH	7.64	8.72		
WYOMING	9.11	4.36		\$557,462
ALASKA	11.82	14.13	\$550,687	
ARIZONA	7.44	5.28		
CALIFORNIA	9.89	9.99		
GUAM	7.01	8.97		
HAWAII	4.48	4.62		
IDAHO	7.35	9.70		\$1,700,458
NEVADA	12.23	7.70		
OREGON	13.00	11.75	\$207,818	
WASHINGTON	14.58	13.25	\$1,957,930	
TOTAL	9.75	10.69	\$30,426,452	\$36,170,455

FOOD STAMP PROGRAM ERROR RATES, POTENTIAL LIABILITIES & ENHANCED FUNDING (FY96, FY98, FY99 US AVE FOR EARNINGS AND ALIENS-R ADJUSTED FOR \$25 TOLERANCE IF OVER U.S. AVERAGE REDUCTION (CREDIT FOR WHOLE AMT))

9/22/99

FOOD STAMP PROGRAM

Y 1998 RATES RE-WEIGHTED USING LESSER OF FY96, FY98, OR FY98 US AVE FOR EARNINGS AND ALIENS-H
 INCLUDING REDUCTION FOR \$25 TOLERANCE
 ERROR RATES, POTENTIAL LIABILITIES & ENHANCED FUNDING

STATE	FY 1997 PAYMENT ERROR RATE	FY 1998 PAYMENT ERROR RATE	POTENTIAL LIABILITIES	ENHANCED FUNDING
CONNECTICUT	9.68	11.80	\$185,787	
MAINE	7.22	9.33		
MASSACHUSETTS	8.16	6.48		
NEW HAMPSHIRE	10.13	8.71		
NEW YORK	10.09	11.37	\$643,333	
RHODE ISLAND	7.09	5.75		
VERMONT	9.73	12.09	\$61,895	
DELAWARE	12.65	11.46	\$18,640	
DIST. OF COL.	7.46	9.87		
MARYLAND	12.81	13.76	\$2,483,950	
NEW JERSEY	9.02	11.12	\$66,352	
PENNSYLVANIA	8.73	8.50		
VIRGINIA	12.97	9.54		
VIRGIN ISLANDS	7.35	6.07		
WEST VIRGINIA	11.15	10.67		
ALABAMA	8.65	7.18		
FLORIDA	10.26	11.44	\$444,817	
GEORGIA	11.95	12.80	\$2,241,851	
KENTUCKY	5.76	6.62		
MISSISSIPPI	6.99	5.21		
NORTH CAROLINA	10.66	9.50		
SOUTH CAROLINA	6.31	7.51		
TENNESSEE	12.05	7.65		
ILLINOIS	14.31	11.72	\$837,706	
INDIANA	9.30	6.08		
MICHIGAN	11.89	16.04	\$15,756,414	
MINNESOTA	6.95	4.31		\$5,618,295
OHIO	11.15	8.22		
WISCONSIN	13.70	13.07	\$689,391	
ARKANSAS	5.16	5.55		
LOUISIANA	5.60	6.85		
NEW MEXICO	7.54	9.70		
OKLAHOMA	8.13	9.78		
TEXAS	6.81	4.47		\$28,203,191
COLORADO	8.56	9.04		
IOWA	9.80	11.01	\$10,485	
KANSAS	7.51	10.09		
MISSOURI	12.89	7.65		
MONTANA	9.19	5.70		
NEBRASKA	12.01	14.79	\$1,065,184	
NORTH DAKOTA	11.03	6.61		
SOUTH DAKOTA	3.04	1.88		\$652,879
UTAH	7.64	8.19		
WYOMING	9.11	3.87		\$557,462
ALASKA	11.82	13.63	\$402,237	
ARIZONA	7.44	4.97		
CALIFORNIA	9.89	10.07		
GUAM	7.01	8.72		
HAWAII	4.48	4.17		\$1,700,458
IDAHO	7.35	9.09		
NEVADA	12.23	7.73		
OREGON	13.00	11.81	\$232,011	
WASHINGTON	14.55	13.31	\$2,050,783	
TOTAL	9.75	10.69	\$27,190,838	\$36,732,285

File: D:\Data\Bureau\QCE\Error\Section 8 (Inventory Calculations FY96 Section 8 (Inventory Section 8 (Inventory Chart))

File: Friedman



Jennifer Friedman

09/23/99 07:43:08 PM



Record Type: Record

To: Cynthia Rice, J. Eric Gould/OPD/EOP@EOP, Ann O'Leary/OPD/EOP@EOP
cc: Jack A. Smalligan/OMB/EOP@EOP
Subject: CBPP on FY98 QC Liabilities

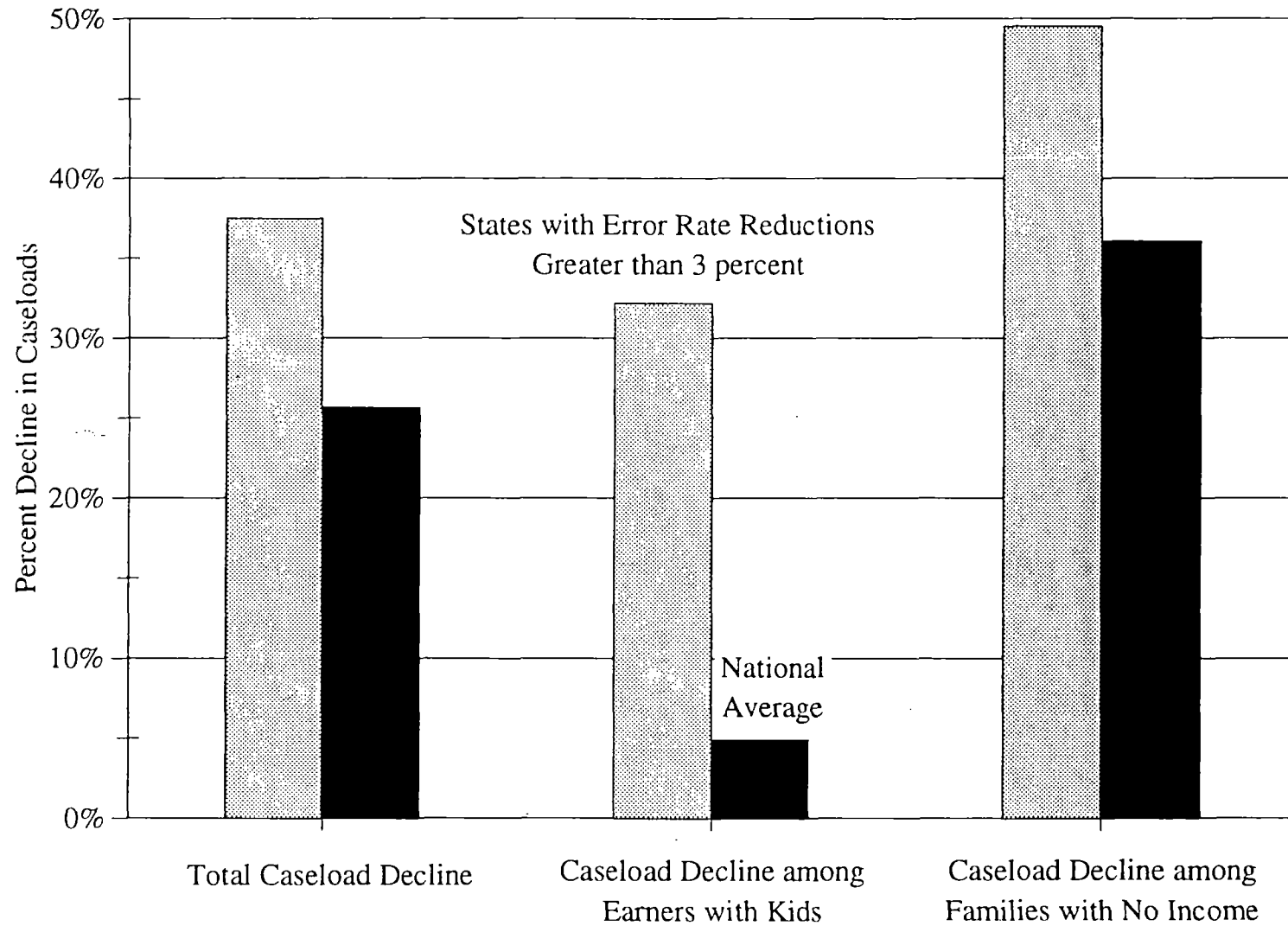
I spoke to Bob Greenstein and David Super this evening and they were generally pleased with the FY98 QC liabilities proposal we've pulled together with FNS. Bob said it was a "very fair and very good balancing of their concerns." They thought 100% reinvestment for all states, except Michigan, sounded fine.

The one point that they did raise had to do with implementation. With regard to the reinvestment plans, FNS will do up a list of suggested activities for payment accuracy and for program access and will be scrubbing the reinvestment plans for payment accuracy activities that hinder program access. Bob and David were wondering if FNS would also do up a list of the type of payment accuracy activities that would be disapproved for harming program access. Their preference is for such a list to be crafted at FNS, rather than determined at each regional office. This is a valid question which I will raise with FNS.

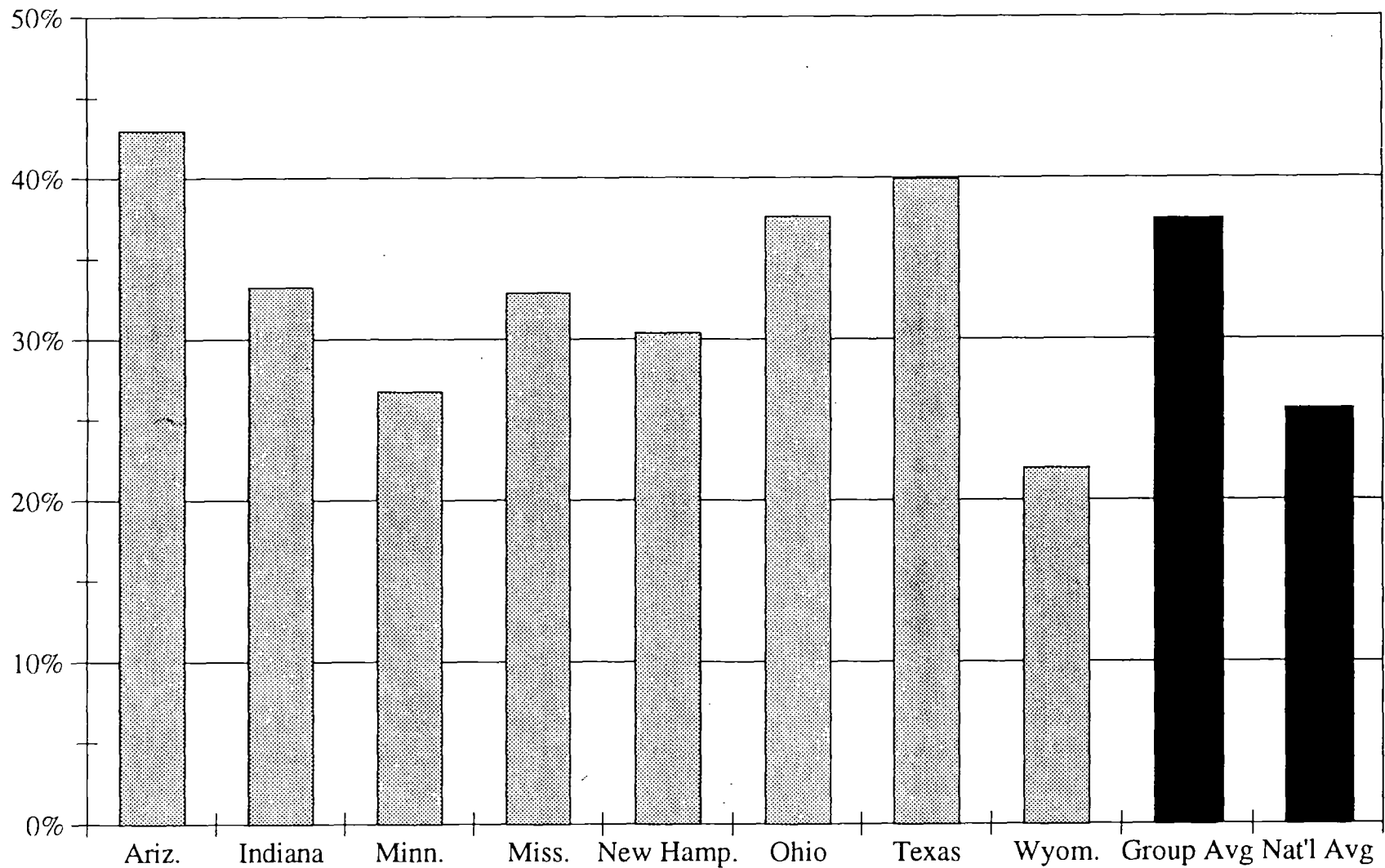
I will pass back this plan to FNS and ask them the to (1) do up a Q&A on why we think Michigan is doing so poorly; (2) try to construct a decision rule or explain to us when we know that a liability amount is too much to reasonably require for reinvestment; and (3) raise Bob and David's question discussed above.

Thanks for all your help on this! We're nearly done on this issue (hallelujah) and the only remaining piece will be to clear the letter that will get sent to States explaining the settlement proposal.

Percent Decline in Food Stamp Caseloads from 1994 to 1998
for States with Large Reductions in Error Rates

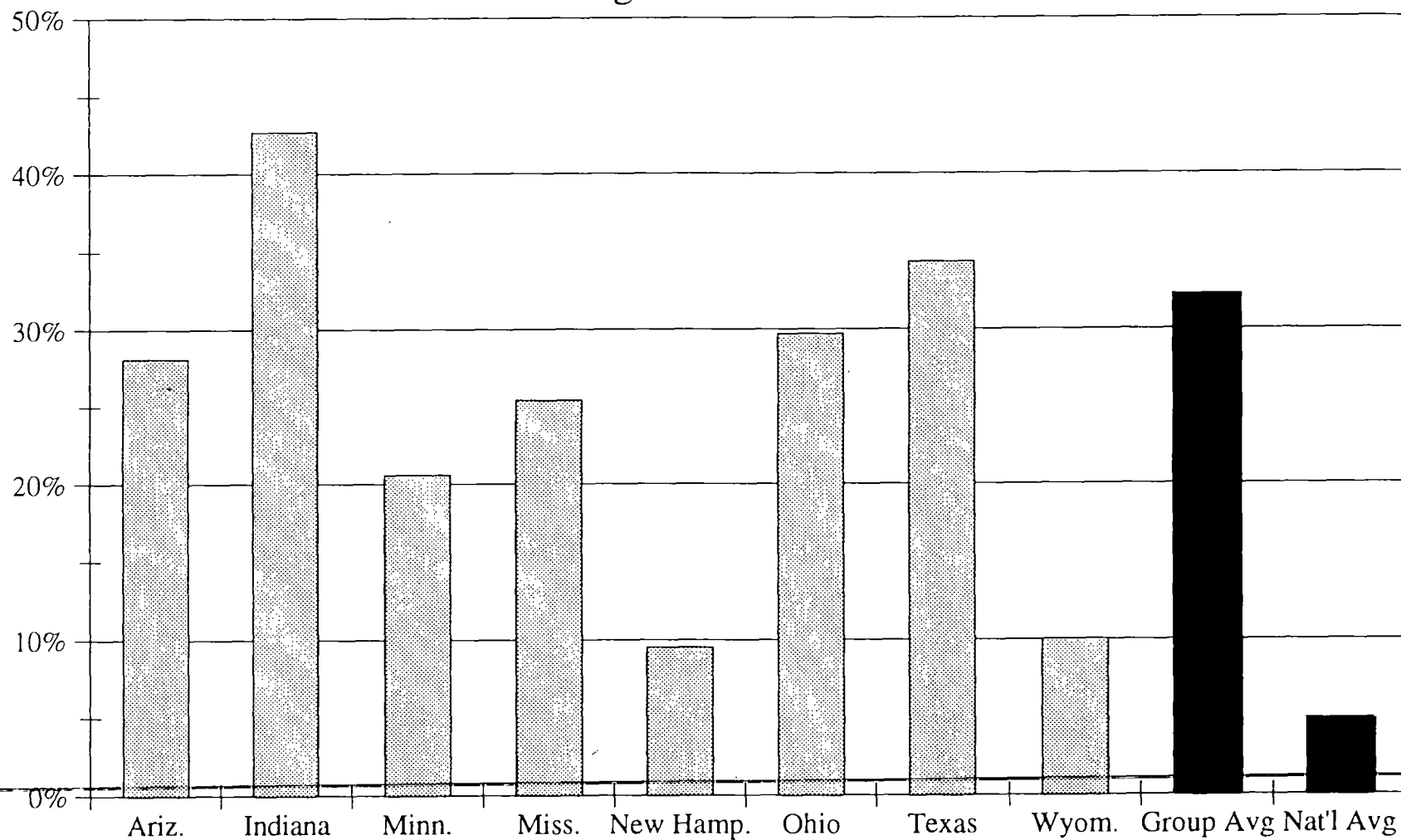


Percent Decline in Food Stamp Caseloads from 1994 to 1998
for States with Large Reductions in Error Rates*



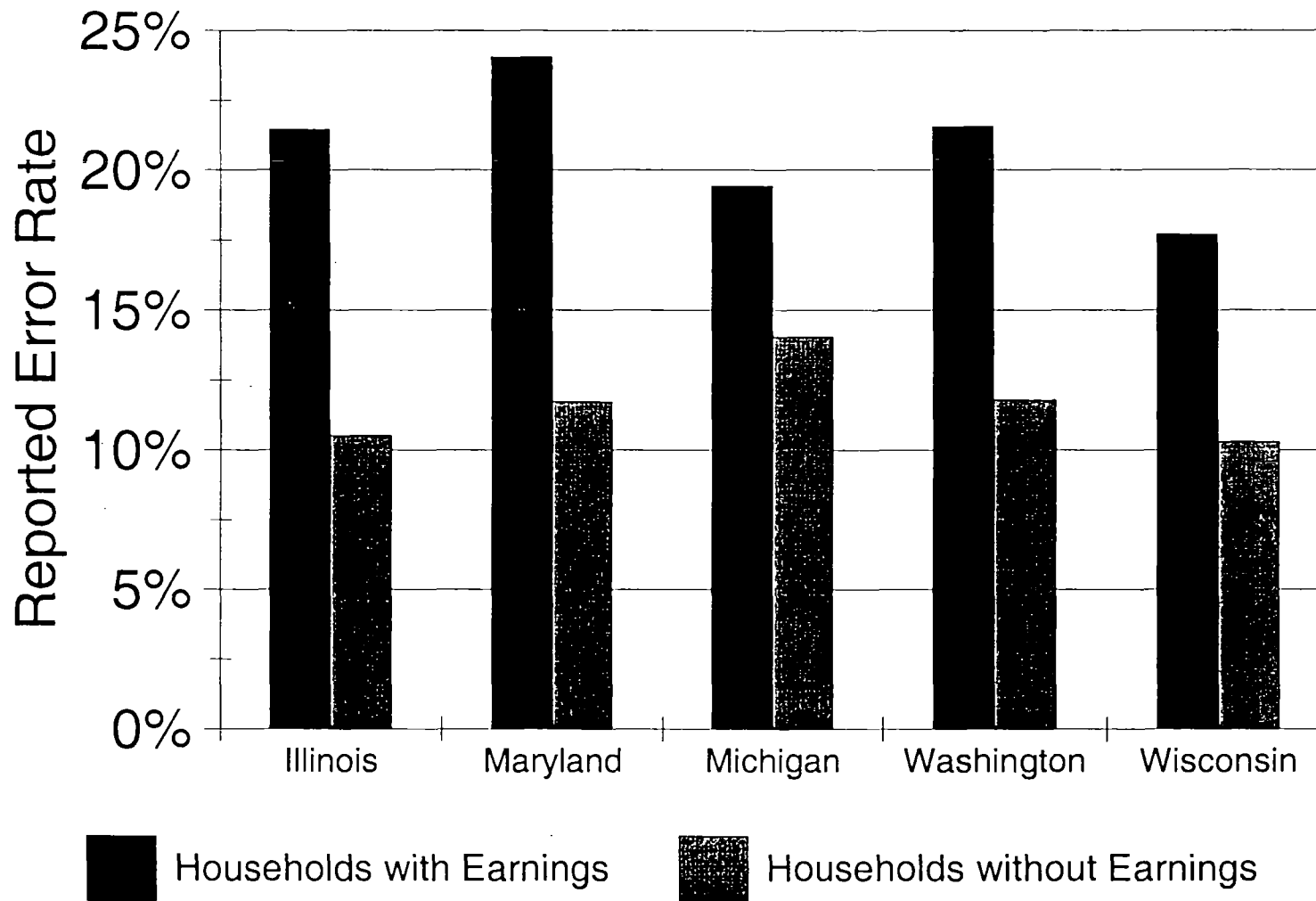
*shows states whose error rates have decreased by more than 3 percent since 1994

Percent Decline in Food Stamp Caseloads from 1994 to 1998
for Households with Children and Earnings
in States with Large Reductions in Error Rates*

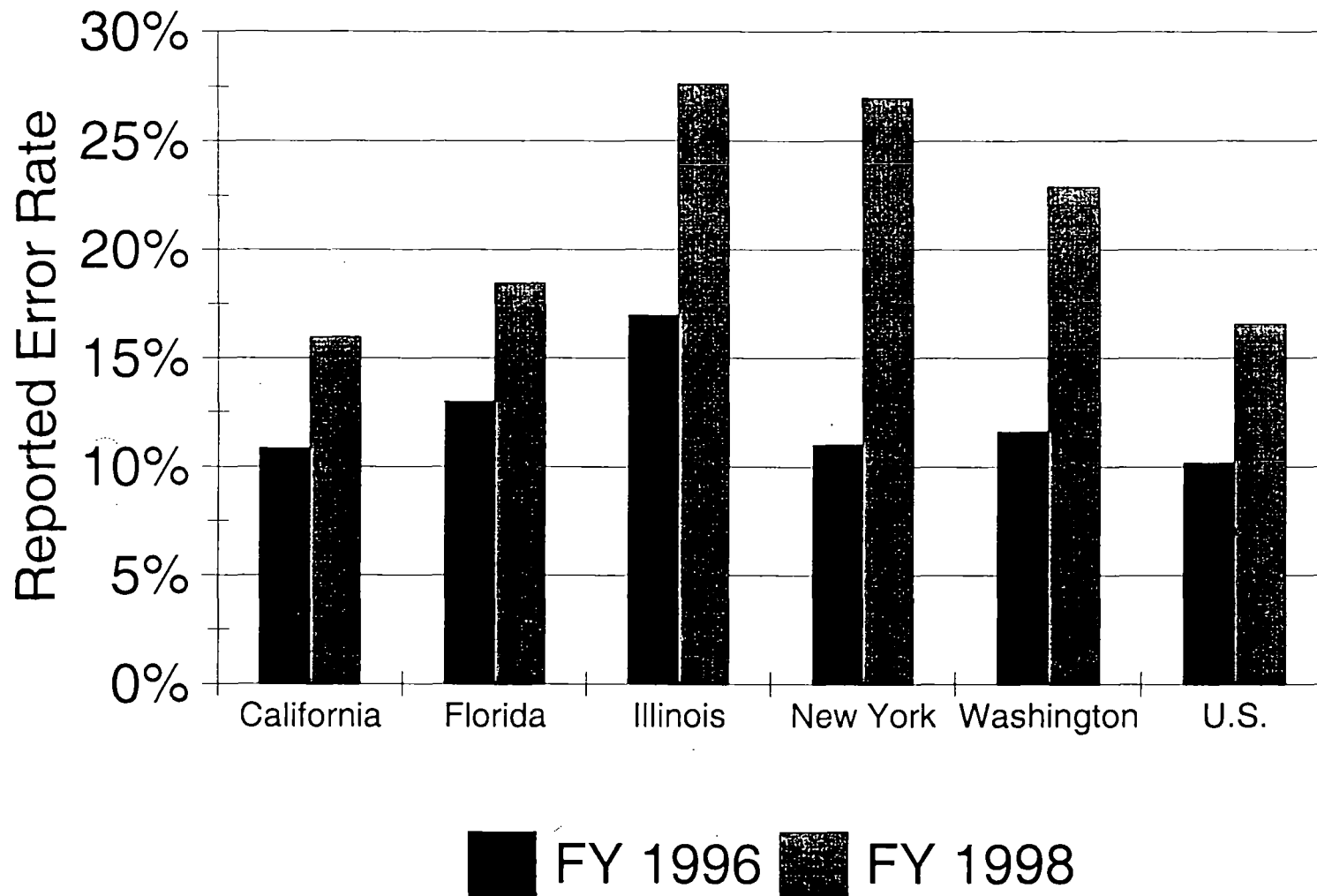


*shows states whose error rates have decreased by more than 3 percent since 1994

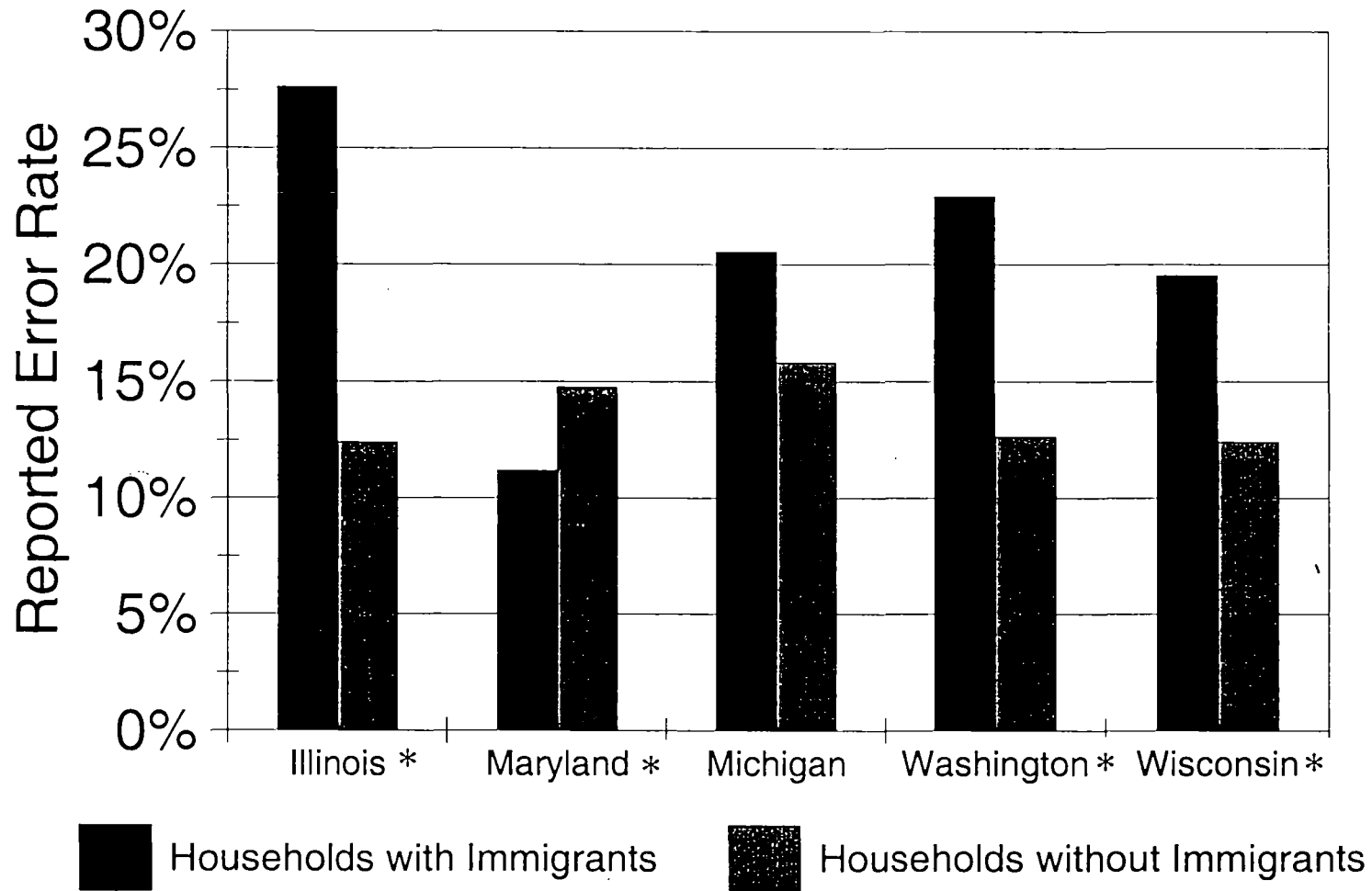
Food Stamp Error Rates in FY 1998



Immigrant Household Error Rates



Food Stamp Error Rates in FY 1998



*These states have enacted food stamp replacement programs for legal immigrants.